



---

## COUNCIL

### Council Summons and Agenda

---

You are hereby summoned to attend an **Ordinary Meeting of Ryedale District Council** to be held in the **Council Chamber, Ryedale House, Malton** on **Thursday, 25 February 2016** at **6.30 pm** in the evening for the transaction of the following business:

#### Agenda

---

1 **Emergency Evacuation Procedure**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

2 **Apologies for absence**

3 **Public Question Time**

4 **Minutes**

(Pages 7 - 38)

To approve as a correct record the minutes of the Ordinary Meeting of Council held on 10 December 2015 and the Extraordinary Meetings of Council held on 14 January 2016.

5 **Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

6 **Declarations of Interest**

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not

discharged by merely declaring a personal interest without further explanation.

**7 Announcements**

To receive any announcements from the Chairman, the Leader and/or the Head of Paid Service.

**8 To Receive any Questions submitted by Members Pursuant to Council Procedure Rule 10.2 (Questions on Notice at Full Council)**

**9 To Receive a Statement from the Leader of the Council and to Receive Questions and Give Answers on that Statement**

**10 Revenue and Capital Budgets and Setting of Council Tax 2016/2017 (Pages 39 - 126)**

**Annex A and Annex B are attached. Annex C is to follow.**

With reference to Minute No. 59 (Financial Strategy 2016/2017) of the Policy and Resources Committee held on 4 February 2016 (copy attached), Councillor Cowling, Chairman of the Policy and Resources Committee, will move:-

**I Budget 2016/2017**

That the revised revenue estimates for the year 2015/2016 and the revenue estimates for 2016/2017, as submitted in the Council's Financial Strategy and Revenue Budget 2016/2017 Book be approved (copy enclosed).

**II Council Tax Base**

That it be noted that, in accordance with Minute No. 363(d)/2005 of the Policy and Resources Committee held on 8 December 2005, which was subsequently approved by Council at its meeting on 12 January 2006, Ryedale District Council has (pursuant to Section 101 of the Local Government Act 1972) delegated responsibility to adopt the Council Tax base to the Chief Executive and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee. The Council calculated the amounts for the year 2016/17, in accordance with regulations made under Section 31B of the Local Government Finance Act 1992, as amended, as set out in Annex A.

**III District/Parish Council Tax Rates**

That the following amounts be now calculated by the Council for the year 2016/17, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992, as amended (the Act):

**(a) District/Parish Gross Expenditure**

£28,098,831.00 being the aggregate of the amounts, which the Council estimates for the items, set out in Section 31A(2) of the

Act.

(b) **Income (including Government Grants and Collection Fund Surpluses)**

£23,475,205.00 being the aggregate of the amounts, which the Council estimates for the items, set out in Section 31A(3) of the Act.

(c) **District/Parish Council Tax Requirement**

£4,623,626.00 being the amount by which the aggregate at Part III(a) above exceeds the aggregate at Part III(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.

(d) **Basic amount of Tax (including Parish Precepts)**

£220.77 being the amount at Part III(c) above, all divided by the amount at Part II above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) **Parish Precept and Special Expenses**

£849,022.00 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

(f) **Basic Amount of Tax (excluding Parish Precepts)**

£180.23 being the amount at Part III(d) above less the results given by dividing the amount at Part III(e) above by the amount given at Part II above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) **Basic Amount of Tax in Parishes/Towns**

The details for each Parish as shown in Annex B, column headed "Aggregate amount at Band D", being the amounts given by adding to the amount at Part III(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount at Part II above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) **District/Parish Council Tax Rates**

The details as shown in columns "A" to "H" of Annex B, being the

amounts given by multiplying the amounts at Part III(f) and Part III(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

#### IV County Council, Police & Crime Commissioner and Fire & Rescue Authority Tax Rates (Provisional)

That it be noted that for the year 2016/17 precepting Authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, as amended, for each of the categories of dwellings shown below:-

<b>BAND</b> £	<b>NORTH YORKSHIRE COUNTY COUNCIL</b> £	<b>NYCC ADULT SOCIAL CARE</b> £	<b>NORTH YORKSHIRE POLICE &amp; CRIME COMMISSIONER</b> £	<b>NORTH YORKSHIRE FIRE &amp; RESCUE AUTHORITY</b> £
<b>A</b>	Subject to confirmation on 24 February 2016.	Subject to confirmation on 24 February 2016.	144.67	Subject to confirmation on 19 February 2016.
<b>B</b>			168.78	
<b>C</b>			192.89	
<b>D</b>			217.00	
<b>E</b>			265.22	
<b>F</b>			313.44	
<b>G</b>			361.67	
<b>H</b>			434.00	

#### V Total Council Tax Rates

That having calculated the aggregate in each case of the amounts at Part III(h) and Part IV above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, as amended, hereby sets the amounts set out in Annex C as the amounts of Council Tax for 2016/17 for each of the categories of dwellings shown.

- 11 **Treasury Management Strategy Statement and Annual Investment Strategy 2016/2017** (Pages 127 - 154)
- 12 **To consider for Approval the Recommendations in respect of the following Part 'B' Committee Items:** (Pages 155 - 188)  
**Policy and Resources Committee – 4 February 2016**

Minute 60 - Response to the New Homes Bonus: Sharpening the Incentive - Technical Consultation

13 **Representation on Outside Bodies**

(Pages 189 - 190)

14 **Any other business that the Chairman decides is urgent.**

A handwritten signature in black ink that reads "Janet Waggott". The signature is written in a cursive style with a long horizontal stroke at the end.

Janet Waggott  
Chief Executive

This page is intentionally left blank

## Council

---

Minutes of Proceedings

At the **Ordinary Meeting of the District Council of Ryedale** held in the **Council Chamber, Ryedale House, Malton** on **Thursday 10 December 2015**

## Present

---

Councillors    Acomb  
                  Joy Andrews  
                  Steve Arnold  
                  Val Arnold (Chairman)  
                  Bailey  
                  Burr MBE  
                  Clark  
                  Cowling  
                  Duncan  
                  Farnell  
                  Frank  
                  Gardiner (Vice-Chairman)  
                  Goodrick  
                  Hope  
                  Ives  
                  Jainu-Deen  
                  Keal  
                  Oxley  
                  Raper  
                  Shields  
                  Thornton  
                  Wainwright  
                  Windress

## In Attendance

---

Simon Copley  
Denise Hewitt  
Gary Housden  
Peter Johnson  
Phil Long  
Janet Waggott  
Anthony Winship

## Minutes

---

### 53      **Apologies for absence**

Apologies for absence were received from Councillors Paul Andrews, Cleary, Cussons, Jowitt, Maud and Sanderson.

### 54      **Public Question Time**

There were no public questions.

55 **Minutes**

The minutes of the Ordinary Meeting of Council held on 8 October 2015 were presented.

The Chairman moved and Councillor Cowling seconded a procedural motion that Councillor Clark no longer be heard.

On being put to the vote, this motion was carried.

Voting Record

12 For

3 Against

4 Abstentions

An adjournment of the meeting followed.

When the meeting reconvened, the Chairman moved and Councillor Cowling seconded a procedural motion to close the meeting.

On being put to the vote, this motion was carried.

Voting Record

17 For

4 Against

2 Abstentions

The approval of the minutes of the Ordinary Meeting of Council held on 8 October 2015 was therefore deferred.

56 **Urgent Business**

This item of business was deferred.

57 **Declarations of Interest**

This item of business was deferred.

58 **Announcements**

This item of business was deferred.

59 **To Receive any Questions submitted by Members Pursuant to Council Procedure Rule 10.2 (Questions on Notice at Full Council)**

This item of business was deferred.

60 **To Receive a Statement from the Leader of the Council and to Receive Questions and Give Answers on that Statement**

This item of business was deferred.

61 **To consider for Approval the Recommendations in respect of the following Part 'B' Committee Items:**

The following items of business were deferred:

**Overview and Scrutiny Committee – 5 November 2015**

Minute 48 – Treasury Management Mid Year Review

**Policy and Resources Committee – 26 November 2015**

Minute 46 – Ryedale District Council's Safeguarding Policy

Minute 47 – Local Council Tax Support 2016/17 Scheme

Minute 49 – Living Wage Motion

Minute 50 – Timetable of Meetings 2016/17

62 **CIL Adoption**

This item of business was deferred.

63 **Any other business that the Chairman decides is urgent.**

The meeting closed at 7.12pm.

This page is intentionally left blank

## Council

---

Minutes of Proceedings

At the **Extraordinary Meeting of the District Council of Ryedale** held in the **Council Chamber, Ryedale House, Malton** on **Thursday 14 January 2016**

## Present

---

Councillors    Acomb  
                  Joy Andrews  
                  Paul Andrews  
                  Steve Arnold  
                  Val Arnold (Chairman)  
                  Bailey  
                  Burr MBE  
                  Clark  
                  Cleary  
                  Cowling  
                  Cussons  
                  Duncan  
                  Farnell  
                  Frank  
                  Gardiner (Vice-Chairman)  
                  Goodrick  
                  Hope  
                  Ives  
                  Jowitt  
                  Keal  
                  Maud  
                  Oxley  
                  Potter  
                  Raper  
                  Sanderson  
                  Shields  
                  Thornton  
                  Wainwright  
                  Windress

## In Attendance

---

Simon Copley  
Denise Hewitt  
Gary Housden  
Peter Johnson  
Phil Long  
Kim Robertshaw  
Janet Waggott  
Anthony Winship

## Minutes

---

64      **Apologies for absence**

Apologies for absence were received from Councillor Jainu-Deen.

**65 Declarations of Interest**

The following interests were declared:

Councillor Paul Andrews declared a personal non-pecuniary but not prejudicial interest as a supporter of local businesses.

Councillor Steve Arnold and Frank declared that they had been lobbied.

**66 Notices on Motion**

It was moved by Councillor Duncan and seconded by Councillor Ives

"This Notice of Motion hereby given by us under the said Rule 14.1 to rescind all decisions made by the Council on 8th October 2015 under Agenda Item 10 in regard to Minutes Nos. 23 and 24 of the meeting of the Council's Policy and Resources Committee which was held on 24 September 2015."

Upon being put to the vote, the motion was carried.

Voting Record

29 For

0 Against

0 Abstentions

It was moved by Councillor Burr and seconded by Councillor Paul Andrews

"This notice of motion hereby given by us under Rule 23 to suspend Rule 14.2 so far as to allow and enable the Motion to be debated under the said Rule 11.1 (of which notice of motion is hereby given by us)."

Upon being put to the vote, the motion was carried.

Voting Record

29 For

0 Against

0 Abstentions

It was moved by Councillor Duncan and seconded by Councillor Ives

"The Council resolves to terminate the contract with GMI to sell WSCP with immediate effect. The Council will investigate other options available for the development of the Wentworth Street Car park site. Any future plans for development on this site should have support from a cross section of the people of Malton and Norton and the people of Ryedale as a whole."

An amendment was moved by Councillor Cowling and seconded by Councillor Steve Arnold:

"1. The Council hereby resolves to terminate the Conditional Agreement for Lease dated 4 May 2011 and between the Council and GMI Holbeck Land (Malton) Limited and GMI Construction Group PLC to transfer the long leasehold part of WSCP. The District Council will review the options for maximising the use of this underutilised strategic asset, taking account of:

- changing development needs and opportunities and the potential to address these in and around Malton and Norton
- the Ryedale Local Plan Strategy
- a wider review of the Council's asset holding in the face of recent and ongoing changes to local government finance
- the scrutiny review of assets

Any future plans will be subject to consultation, including working with other town centre landowners and seeking the views of local people. The intention is to deliver broad consensus where possible.

2. The Council Solicitor is authorised to serve notice on GMI Holbeck Land (Malton) Limited to bring the Conditional Agreement for Lease to an end – in accordance with the provisions contained within that Agreement.

3. The Council's Finance Manager is authorised to repay to GMI Holbeck Land (Malton) Limited the deposit paid by them; in accordance with the provisions of the Conditional Agreement for Lease."

Upon being put to the vote the amendment was carried.

#### Voting Record

24 For

4 Against

1 Abstentions

A further amendment was moved by Councillor Clark and seconded by Councillor Thornton:

"This Council apologises to the people of Ryedale for the waste of over half a million pounds and the weak leadership by Ryedale District Council over the last 3 years."

Upon being put to the vote the amendment was lost.

#### **Recorded Vote**

##### For

Councillors Joy Andrews, Paul Andrews, Burr, Clark, Jowitt, Maud, Potter, Shields and Thornton.

##### Against

Councillors Acomb, Steve Arnold, Val Arnold, Bailey, Cleary, Cowling, Cussons, Farnell, Frank, Gardiner, Hope, Ives, Oxley, Raper, Sanderson, Wainwright and Windress.

Abstentions

Councillor Keal.

Did not vote

Councillors Duncan and Goodrick

Upon being put to the vote, the motion was carried.

Voting Record

29 For

0 Against

0 Abstentions

**Resolved**

- (i) That all decisions made by the Council on 8th October 2015 under Agenda Item 10 in regard to Minutes Nos. 23 and 24 of the meeting of the Council's Policy and Resources Committee which was held on 24 September 2015 be rescinded;
- (ii)
  1. The Council hereby resolves to terminate the Conditional Agreement for Lease dated 4 May 2011 and between the Council and GMI Holbeck Land (Malton) Limited and GMI Construction Group PLC to transfer the long leasehold part of WSCP. The District Council will review the options for maximising the use of this underutilised strategic asset, taking account of:
    - changing development needs and opportunities and the potential to address these in and around Malton and Norton
    - the Ryedale Local Plan Strategy
    - a wider review of the Council's asset holding in the face of recent and ongoing changes to local government finance
    - the scrutiny review of assetsAny future plans will be subject to consultation, including working with other town centre landowners and seeking the views of local people. The intention is to deliver broad consensus where possible.
  2. The Council Solicitor is authorised to serve notice on GMI Holbeck Land (Malton) Limited to bring the Conditional Agreement for Lease to an end – in accordance with the provisions contained within that Agreement.
  3. The Council's Finance Manager is authorised to repay to GMI Holbeck Land (Malton) Limited the deposit paid by them; in

accordance with the provisions of the Conditional Agreement for Lease.

[An officer advice note had been circulated at the meeting and is attached as appendix 1 to these minutes.]

The meeting closed at 7.23pm.

This page is intentionally left blank

Extraordinary Council Meeting on 14 January 2016

Supplementary Officer Advice on the Conditional Agreement for Lease Dated 4 May 2011

The District Council entered into a Conditional Agreement for Lease with GMI Holbeck Land (Malton) Limited (Buyer) and GMI Construction Group PLC and Holbeck Land Limited (Guarantor) Dated 4 May 2011 relating to part of Wentworth Street Car Park, Malton.

The Conditional Agreement for Lease contained 7 conditions, 6 of which were to be satisfied by the Buyer and one to be satisfied by the Council.

These are :-

- 1 Buyer obtaining the Grant of Satisfactory Planning Permission,
- 2 Buyer satisfying Ground Investigation Condition,
- 3 Buyer delivering Buyers Plans,
- 4 Buyer delivering Programme of Works,
- 5 Buyer completing a Letting Agreement or Letting Agreements,
- 6 Buyer entering into the Highways Agreement;
- 7 Council securing Vacant Possession of the Property.

The conditions to be satisfied by the Buyer had an ultimate date for satisfaction of the 4 May 2015, known as the Longstop Date in the Conditional Agreement for Lease.

Council Officers have been in correspondence with representatives of GMI Holbeck Land (Malton) Limited to try and establish their intention in relation to the fulfilment of their contractual obligations.

The Conditional Agreement for Lease provides that in the event that the Buyer does not satisfy any of the Conditions 1-6 then the Council may serve notice to terminate.

Members may recall that at a Policy and Resources meeting of this Council on 24 September 2015 and subsequent Council Meeting on 8 October 2015 Members considered a Notice on Motion from 2 Members of Council that the Conditional Agreement for Lease be not renewed. An Officer report to the Policy and Resources Committee contained an analysis of the risks to the Council of terminating the Conditional Agreement for Lease.

The Officer recommendation is that the Council terminates the Conditional Agreement for Lease dated 4 May 2011 and between the Council and GMI Holbeck Land (Malton) Limited.

This page is intentionally left blank

## Council

---

Minutes of Proceedings

At the **Extraordinary Meeting of the District Council of Ryedale** held in the **Council Chamber, Ryedale House, Malton** on **Thursday 14 January 2016**

## Present

---

Councillors    Acomb  
                  Joy Andrews  
                  Paul Andrews  
                  Steve Arnold  
                  Val Arnold (Chairman)  
                  Bailey  
                  Burr MBE  
                  Clark  
                  Cleary  
                  Cowling  
                  Cussons  
                  Duncan  
                  Farnell  
                  Frank  
                  Gardiner (Vice-Chairman)  
                  Goodrick  
                  Hope  
                  Ives  
                  Jowitt  
                  Keal  
                  Maud  
                  Oxley  
                  Potter  
                  Raper  
                  Sanderson  
                  Shields  
                  Thornton  
                  Wainwright  
                  Windress

## In Attendance

---

Simon Copley  
Denise Hewitt  
Gary Housden  
Peter Johnson  
Phil Long  
Kim Robertshaw  
Janet Waggott  
Anthony Winship

## Minutes

---

1        **Apologies for absence**

Apologies for absence were received from Councillor Jainu-Deen.

## 2 **Minutes**

The minutes of the Ordinary Meeting of Council held on 8 October 2015 were presented.

### **Resolved**

That the minutes of the Ordinary Meeting of Council held on 8 October 2015 be approved and signed by the Chairman as a correct record.

## 3 **Urgent Business**

There were two items of urgent business which the Chairman considered should be dealt with as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972 (as amended):

- A motion on notice from Councillors Burr and Paul Andrews regarding pumps for flooding;
- Political proportionality.

Additionally Councillor Clark referred to two Part A agenda items for the Planning Committee meeting on 19 January 2016, the Minerals and Waste Joint Plan Preferred Options Consultation and the Consultation on Proposed Changes to National Planning Policy, and asked the Chairman if these could become Part B items and be considered by Council.

The Chairman replied that the Chairman of Planning Committee would ask Planning Committee if they wished to refer these items to a future meeting of Council.

## 4 **Declarations of Interest**

The following interests were declared:

Councillors Val Arnold and Clark declared personal non-pecuniary but not prejudicial interests in the items raised under urgent business relating to flooding and to the North Yorkshire Mineral and Waste Plan, as North Yorkshire County Councillors.

## 5 **Announcements**

There were no announcements.

## 6 **To Receive any Questions submitted by Members Pursuant to Council Procedure Rule 10.2 (Questions on Notice at Full Council)**

There were no questions on notice.

7 **To Receive Statements from the Leader of the Council Provided for the Council Meetings on 8 October 2015 and 10 December 2015 and to Receive Questions and Give Answers on those Statements**

Councillor Cowling, the Leader of the Council, presented the following statements:

From 8 October 2015:

***"Derwent Training Association - 14 September 2015***

*I have attended the opening of the new "Mechatronics" teaching room at Derwent Training Association. You will recall that we gave a grant of 30k towards the construction of this. It is a much needed addition to the facilities at DTA.*

*Mechatronics is a fusion of several strands of engineering - electronics, hydraulics, robotics and computer engineering. DTA will now be able to help train apprentices in these skills, which helps to address the shortage of employees in the engineering industry and helps our young people into well paid jobs. This will be particularly important when the Whitby Potash Mine comes to fruition.*

***Yorkshire Water - 16 September 2015***

*The CE and I had our annual meeting with Yorkshire Water. We discussed ways we might work together including inspection of private water supplies. I took the opportunity to remind Yorkshire Water that there was still a problem at Butcher Corner, Malton and undertook to forward any complaints I received to Yorkshire Water. No major projects are planned in the Ryedale district in the period up to 2020. It was good to learn about YW's plans for replanting their woodlands with native species to replace the existing conifers. A couple of interesting statistics are that YW have to maintain some 55,000 kilometres of sewer on our behalf and have taken approximately 250,000 water samples to ensure the safety of our water supply.*

***LEP Infrastructure Board - 17 September 2015***

*After close work with the LEP and the developers, Ryedale DC was successful in bringing forward funding for the Malton Agribusiness Park at Old Malton. The project was awarded £2.1m towards infrastructure costs by Government following a proposal from this Council and the LEP - the funding was not available until 2016/17.*

*However, persistence has paid off and - following under spends elsewhere - some of the funding has been released to bring forward a start on this exciting development to around November 2015 and road works are now expected to begin before Christmas.*

*A strong emphasis from this meeting was the importance of working up economic and development projects for future delivery through LEP funding. It was recognised that had the plans for the Malton Agri-Business Park not been progressed by RDC and the developers we would not have been successful in attracting funds for this project. So we need to support the work of our officers in progressing appropriate plans for future bids in Ryedale. The current focus is on bringing forward employment land at Pickering and enhancing access to advanced engineering companies at Kirkbymoorside. However the business case for a series of smaller scale improvements on the A64 between Malton and Scarborough can be advanced with the appropriate investment, in combination with the working up of potential proposals east of Hopgrove by Highways England.*

### **P&R - 24 September 2015**

*At the meeting of Policy & Resources on the 24 September, the first tranche of Community Grants to local projects were approved. A second set of applications will be considered later in this financial year.*

*I am also pleased to be able to tell you that support for our creative economy was agreed. The creative economy in Ryedale is an important tourism attraction.*

*Unfortunately the meeting went on rather too long and we adjourned at 10.30pm with some items to be carried forward to the next meeting of P&R.*

*Our Community Infrastructure Levy charging regime was the subject of examination by an Inspector for one day last week. Approval of our CIL will be an important step forward for this Council. We expect a draft version of the Inspector's report by 16 October.*

*We shall soon be considering the sites documents for our local plan. This stage of our local plan, when approved, will give us certainty of where development is to take place in Ryedale.*

### **LGNY&Y - 2 October 2015**

*On Friday 2nd October I attended a meeting of Local Government North Yorkshire & York. You will have heard that a combined authority for Sheffield has been agreed - as yet there is no firm news of a deal that includes Ryedale.*

*We had an update on the progress to date on broadband provision. It is my opinion that progress is far too slow - we are looking at another 4 years before we have 95% cover. That cannot be good for economic development in Ryedale."*

From 10 December 2015:

*"Flooding*

*I would like to start by expressing my heartfelt sympathy for the residents of Cumbria and other parts of the country who have been so badly affected by flooding over the last week. What a timely reminder of how lucky we are to have our flood defences completed in Pickering.*

#### *Combined Authorities*

*As yet no consensus has been reached despite the most recent meeting of the APPG being held in Leeds on Friday 4 December 2015. A meeting is planned for the new year for Leaders to meet to discuss and agree the geographical footprint for our Combined Authority area. Proposed amendments in the Cities and Local Government Devolution Bill could have far reaching effects for us as, in exceptional circumstances, those amendments could allow some of our District Councils in North Yorkshire to effectively become part of a West Yorkshire combined authority.*

*Director of Public Health's Annual report is available now on the NYCC website. It contains some interesting information and I am sure our Health & Wellbeing Board will be concentrating on the recommendations from that report.*

#### *Comprehensive Spending Review*

*Much of the detail from the CSR will not become evident until our local settlement is announced later in December. We expect the announcement on either 17 or 23 December which will be reflected in our Budget.*

*The main issues for this Council are:-*

- 1. The move to 100% retention of business rates - which would come with additional responsibilities*
- 2. There will be an extension to the doubling of small business rate relief for the 12 months to April 2017*
- 3. Possible reforms to NHB*
- 4. The ability for NYCC to increase council tax to cover Social Care*
- 5. Of course from my point of view the increase in the state pension had to be good news - the largest real term increase in 15 years.*

*We had some good news and some bad news around the announcements on Enterprise Zones. The news that Fera have been awarded Enterprise Zone Status and investment of 50 million pounds is very good news but it was disappointing that the Coast & Country Enterprise Zone application was unsuccessful. This of course included the Malton proposal, but does not affect the Food Enterprise Zone status which was successful earlier this year.*

*Tonight on our agenda, as well as other items, we shall be looking at our safeguarding policy, hopefully confirming the increase in wages to our lowest paid employees and at long last we are in a position to adopt our CIL Charging schedule.*

*Looking ahead to the new year we shall be confirming our budget for 2016/17 and starting work on challenges including working on our Medium Term Financial Strategy and the Towards 2020 transformation programme.*

*Finally, I wish you a Merry Christmas and a Happy New Year."*

The following questions were received on the Leader's Statement:

1. From Councillor Keal

*"I'd like to ask a question with regard to your meeting with Yorkshire Water, basically to ask if as Leader of the Council if you'll be having another meeting with Yorkshire Water in view of what's happened over the last 3 weeks? We've just had the Motion that's been referred back to P&R and a fair amount of the problems that we suffer from in Norton are - a big part of the problem is to do with Yorkshire Water and I read with some dismay that they're not planning any major projects in Ryedale up to 2020. They need to plan a major project in Norton and sooner than that. I would appreciate if you could arrange an urgent meeting with Yorkshire Water to that effect."*

The Leader replied:

*"The point I'd like to make here is that - I know that Cllr Burr was ill but there was actually a meeting which I believe you attended and this work has already started towards trying to resolve the issues throughout Ryedale. It isn't just about Malton and Norton and Brawby. We need to pick up all the issues that have occurred and there has been a call for information so that we know where all the flooding has occurred throughout Ryedale. We need a plan that covers all those areas and looks at solutions. Some of those solutions will be as simple as digging out ditches or grits at the side of the road where roads were blocked with water across them and things like that. There were a number of villages that I tried to get through and you either couldn't get to the village or you couldn't get through the centre of the village. What I am hoping Di is that this will build into all the agencies attending these meetings - Yorkshire Water will be one of those agencies along with the Environment Agency, North Yorkshire County Council and we need to find out what the solutions are throughout the whole district, whose got some money and it has to fit in with the flood plan that has been drawn up by North Yorkshire County Council."*

Councillor Keal then asked the following supplementary question:

*"Thank you for that and yes I did attend the meeting and found it a helpful start. I have to say that I do share Cllr Andrews view that this doesn't go back to another round of meetings, another report. We've waited for 3 years since 2012 for the County Council to produce its flood report and I know it covers a big area but we have solutions on the table for quite a lot of the things that need doing in Ryedale. All we need to do now is to pull those partners together and arrange the funding. Yorkshire Water have committed some funding, I believe the Environment Agency*

*have also committed some funding. I don't think it'll be enough but what we don't want to happen and people out there that were affected over the Christmas period don't want to happen is months and months and months of delay. There are some quick wins that Yorkshire Water and the other partners could get on and do and I was very pleased to see that they did do one of those temporary solutions in Church Street over the Christmas period in horrendous weather but they did dig the gully under Church Street which was a good start. As Cllr Andrews and Cllr Burr have said what we need is a permanent solution, that solution is there, the plans are drawn, we need them to put their hands in their pocket. So it's an appeal to that really."*

The Leader then replied:

*"I'm hoping Di that you will continue to be part of those meetings and I bow to your superior knowledge about flooding in Malton, I know you know a lot more about it than I do. I think that it will be a lot that this Council can do will be about putting pressure on people. We're not always successful when we try to put pressure on other agencies but all we can do is try and be aware of what the solution is. I though it was really timely that the flood report had been to the area committee in December of last year. If we'd been sat here waiting for that report still to come through, I think I would have been really disappointed. So at least we've got somewhere to start."*

2. From Councillor Paul Andrews

*"When is the next meeting of the Drainage Liaison Group and when we have that meeting, could we have referred to it the report of Arup on the drainage situation in Malton and Norton? As well as the matters that Cllr Keal was talking about. And the second questions concerns this meeting that took place early this month. The meeting was called as I understand it, the day after New Year, members of this Council were notified by email - those of you who are allowed to be notified by email. The email was sent the day after New Year right in the festive season. I don't know how many Councillors actually had their computers open to look at it at that time. The clerk and the Chairman of Malton Town Council were not notified at all, although 2 new members of Malton Town Council were so notified and really what I'm asking is, if we have an urgent meeting of this kind that should be of interest to a lot of Councillors, could we please be sure that officers notify the members concerned by telephone?"*

The Leader replied:

*"The first thing to say is that the meeting was called by Kevin Hollinrake and I had no control whatsoever over who was invited to that meeting. Kevin wanted some information bringing up to date on what was going on in the area. He asked officers if they were willing to meet with him. I'm sorry you didn't get the notification but you choose not to have an iPad, I*

*have an iPad, it was switched on. When I went to bed on Christmas Day night you know that it was going to be flooding so it was switched on. I'm sorry the flooding was bad timing for you but it rained when it rained."*

Councillor Paul Andrews then responded:

*"If this was a matter that was solely in the control of the MP could this Council draw to the MP's attention the protocol that one goes through when one organises meetings of this kind and advise him of the people am going to come back about choosing not to have an iPad, yes I do choose not to have an iPad but I do choose to have a computer and I can be notified on the computer. I think the view that the Council has that only some members should be informed of some things in some way and other members not informed at all, I think is against the law."*

3. From Councillor Ives

*"Would the Leader of Council agree with me that the items on her statement in relation to Derwent Training and the LEP Board in relation to the Malton Agricultural Business Park, highlight why the people of Ryedale trusted us, the Conservatives, with the economy in May last year?"*

The Leader replied:

*"Thank you for this - if you'd given me a bit of notice I'm sure I could have talked for half an hour on this. We tend to get hung up in this Council on the things that go wrong - I am going to talk about the elephant in the room and that is Wentworth Street car park and yes that hasn't been one of our best hours but look at the things that we do do. We support Derwent Training, we support apprentices. If it wasn't for this Council we wouldn't have the Brambling Fields junction. If it wasn't for this Council we wouldn't have the flood defences at Pickering. We also put a lot of support into the flood defences at Malton, we're putting more support into the flood defences at Malton, Norton, throughout the whole district. This Council tends to know what matters to the people out there, the whole of Ryedale is our consideration and I think there is a lot to be proud of and you're too busy being political some of you, knocking the Council all the time. In fact we are a very good Council."*

Councillor Ives then asked the following supplementary question:

*"I just want to echo the Leaders comments by saying that we are a very good Council and it's run very well under the Conservatives evident by the election results last May. So does the Leader agree with me, yes we may get things wrong but we get an awful lot right?"*

The Leader then replied:

*"I absolutely do agree with you Luke."*

4. From Councillor Steve Arnold

*"I'd just like to mention - and I think you'll all shout me down - that it says here that you were very pleased to see that the woodlands were replanted with native trees instead of existing conifers. It is a proven fact that fast growing conifers drink up more water than native trees."*

The Leader replied:

*"I'm very sorry that I didn't pick up on that. I might have known that I'd get some stick from our resident forester about that! I'm not a lover of conifers and I do like native species but that is an important fact that you've raised if we're looking at slowing the flow."*

5. From Councillor Clark

*"There is not mention in your statement of racism, homophobia or other bullying activities at all. On 6 October 2015 David Cameron called for an end to racism, homophobia and sexism. Does our supreme leader agree with her supreme leader that, and I quote "Opportunity in Britain is meaningless unless people are really judged equally", furthermore in view of the alleged bullying by, I think it was Darren Clark and the tragic death of I think it was Elliott Johnson, what action has she taken against the Islamophobia, homophobia and bullying within her own group?"*

The Leader replied:

*"Firstly I do think that's an abuse of a question on the Leader's statement. Yes I am going to answer it. It would be easier to sit down and say I'm not to answer it. You're talking about John Raper's Facebook page aren't you and I would refer you back to what you said when ex-Councillor Woodward put some rather unpleasant remarks on a Facebook page. You said it was nothing to do with the Liberals, it was done on a private Facebook page and not in the name of the Liberals so you didn't need to do anything about it. Well I didn't take that view and I have done something about it and that's private because it's within my group. Ex-Councillor Woodward also chose not to apologise for what he had done when asked in this Council Chamber. Councillor Raper apologised immediately and fully and yes, I do agree with David Cameron."*

Councillor Clark then asked the following supplementary question:

*"Well that appears to be fine then. I don't remember Cllr Raper's, if it was Cllr Raper's apology to the homosexual community of Great Britain, to the ethnic minorities of Great Britain and the Muslims of Great Britain but putting that aside lets assume that it has been done the way that it's implied that it's been done. But because it has been done at such a low*

*key, it is creating a leadership position that allows a culture that appears to be prevalent across many sections of Ryedale Council. What is she going to do to bring this culture of bullying and unacceptable behaviour to an end?"*

The Leader then replied:

*"If I thought there was a culture of bullying within this Council I'd be the first at the front of the queue but I know that there isn't."*

**8 To consider for Approval the Recommendations in respect of the following Part 'B' Committee Items:**

**Overview and Scrutiny Committee – 5 November 2015**

**Minute 48 – Treasury Management Mid Year Review**

It was moved by Councillor Wainwright and seconded by Councillor Shields that the following recommendations of the Overview and Scrutiny Committee be approved and adopted.

That Council be recommended to approve:

That the report be received and the mid year performance of the in-house managed funds to date be noted.

Upon being put to the vote the motion was carried.

**Resolved**

That Council approve:

That the report be received and the mid year performance of the in-house managed funds to date be noted.

Voting Record

28 For

0 Against

0 Abstentions

**Policy and Resources Committee – 26 November 2015**

**Minute 46 – Ryedale District Council's Safeguarding Policy**

It was moved by Councillor Cowling and seconded by Councillor Steve Arnold that the following recommendations of the Policy and Resources Committee be approved and adopted.

That Council be recommended to approve:

The adoption of the Safeguarding Children and Adults at Risk Policy and Procedures.

Upon being put to the vote the motion was carried.

**Resolved**

That Council approve:

The adoption of the Safeguarding Children and Adults at Risk Policy and Procedures.

Voting Record

28 For

0 Against

0 Abstentions

**Minute 47 – Local Council Tax Support 2016/17 Scheme**

It was moved by Councillor Cowling and seconded by Councillor Steve Arnold that the following recommendations of the Policy and Resources Committee be approved and adopted.

That Council be recommended to approve:

- (i) a Local Council Tax Support Scheme for 2016/17 to include a minimum payment of 8.5%, and with the charges proposed to limit the backdating of claims to one month instead of six months and to remove the family premium from 1 May 2016.
- (ii) to authorise the Finance Manager in consultation with the Chairman of Policy and Resources Committee to undertake the necessary consultation work to design a scheme for 2017/18, in light of the experience in previous years, to be presented to Policy and Resources Committee in December 2016.

Upon being put to the vote the motion was carried.

**Resolved**

That Council approve:

- (i) a Local Council Tax Support Scheme for 2016/17 to include a minimum payment of 8.5%, and with the charges proposed to limit the backdating of claims to one month instead of six months and to remove the family premium from 1 May 2016.

- (ii) to authorise the Finance Manager in consultation with the Chairman of Policy and Resources Committee to undertake the necessary consultation work to design a scheme for 2017/18, in light of the experience in previous years, to be presented to Policy and Resources Committee in December 2016.

#### Voting Record

27 For

0 Against

0 Abstentions

#### **Minute 49 – Living Wage Motion**

It was moved by Councillor Cowling and seconded by Councillor Steve Arnold that the following recommendations of the Policy and Resources Committee be approved and adopted.

That Council be recommended:

- A That the following motion not be approved:

Ryedale Council has an objective of increasing the average wage level in Ryedale.

So as to set an example and show sound leadership this Council resolves to:

- i) "Pay all RDC employees, excluding apprentices, at the Living Wage or above";

and

- ii) "That preference will be given to external contracts where the applicant pays the Living Wage or above."

Any cost of the above to be financed in 2015/16 year from the reserves.

- B
  - i. To pay RDC employees, excluding apprentices, who currently earn less than the living wage at the rate of £7.85 hr with effect from 1 November 2015 retrospectively until such time as this is naturally overtaken by the National Living Wage.
  - ii. Not to sign up to the Living Wage Foundation concept for the reasons outlined in the report.

Councillor Clark moved and Councillor Thornton seconded the following amendment:

*"To delete the reference to the living wage in part i of B, so that it reads, 'To pay RDC employees, excluding apprentices, who currently earn less than £7.85 hr,*

*£7.85 hr with effect from 1 November 2015 retrospectively until such time as this is naturally overtaken by the National Living Wage."*

Upon being put to the vote the amendment was carried.

### **Recorded Vote**

#### For

Councillors Acomb, Joy Andrews, Paul Andrews Steve Arnold, Val Arnold, Bailey, Clark, Cleary, Cowling, Cussons, Duncan, Farnell, Frank, Gardiner, Goodrick, Hope, Ives, Jowitt, Maud, Oxley, Potter, Raper, Shields, Thornton, Wainwright and Windress.

#### Against

None.

#### Abstentions

Councillor Sanderson.

Upon being put to the vote the motion was carried.

### **Resolved**

That Council agree:

A That the following motion not be approved:

Ryedale Council has an objective of increasing the average wage level in Ryedale.

So as to set an example and show sound leadership this Council resolves to:

i) "Pay all RDC employees, excluding apprentices, at the Living Wage or above";

and

ii) "That preference will be given to external contracts where the applicant pays the Living Wage or above."

Any cost of the above to be financed in 2015/16 year from the reserves.

B i. To pay RDC employees, excluding apprentices, who currently earn less than £7.85 hr, £7.85 hr with effect from 1 November 2015 retrospectively until such time as this

is naturally overtaken by the National Living Wage;

- ii. Not to sign up to the Living Wage Foundation concept for the reasons outlined in the report.

#### Voting Record

27 For  
0 Against  
1 Abstentions

#### **Minute 50 – Timetable of Meetings 2016/17**

It was moved by Councillor Cowling and seconded by Councillor Steve Arnold that the following recommendations of the Policy and Resources Committee be approved and adopted.

That Council be recommended to approve the timetable of meetings for 2016-17.

Councillor Cowling moved and Councillor Steve Arnold seconded the following amendment:

"To change the date of the Annual Meeting of Council in 2016 to 17 May 2016."

Upon being put to the vote the amendment was carried.

#### Voting Record

20 For  
0 Against  
8 Abstentions

Upon being put to the vote the motion was carried.

#### **Resolved**

That Council approve the timetable of meetings for 2016-17, as amended with the Annual Meeting of Council in 2016 to be held on 17 May 2016.

#### Voting Record

28 For  
0 Against  
0 Abstentions

#### 9 **CIL Adoption**

The Head of Planning and Housing submitted a report (previously circulated) which sought Council agreement to the introduction of the Community

Infrastructure Levy (CIL) charge.

Councillor Windress moved and Councillor Cleary seconded the recommendations in the report.

**Resolved**

That Council agree:

- (i) To the introduction of the CIL charges as outlined in the Ryedale CIL Charging Schedule (Appendix 1 of the report) from 1 March 2016.

Voting Record

28 For

0 Against

0 Abstentions

10 **Any other business that the Chairman decides is urgent.**

There were two items of urgent business:

Motion on notice

Proposed by Councillor Burr and seconded by Councillor Paul Andrews:

*"In the light of recent floods, we call upon the Council to commit reserves to install permanent pumps at Brawby, Old Malton, and Castlegate, Malton/Church Street, Norton."*

The Chairman of Council referred this motion on notice to the Overview and Scrutiny Committee and the Policy and Resources Committee for consideration.

Political proportionality

A proposal for the division of main committee seats and committee membership was circulated.

**Resolved**

That the division of main committee seats between political groups and committee membership be approved, as recorded in appendices 1 & 2 of these minutes.

Voting Record

23 For

0 Against

0 Abstentions

There being no other business, the meeting closed at 9pm.



## Appendix 1

### DIVISION OF MAIN COMMITTEE SEATS FOR 2014/2016

#### Part 1. COMMITTEE SEATS

<u>Political Group</u>	<b>Policy &amp; Resources</b>	<b>Overview &amp; Scrutiny Committee</b>	<b>Planning Committee</b>	<b>Total (30 Seats)</b>
Conservative	<b>7</b> (6.33)	<b>6</b> (6.33)	<b>6</b> (6.33)	<b>19</b>
Liberal	<b>2</b> (1.33)	<b>1</b> (1.33)	<b>1</b> (1.33)	<b>4</b>
New Independents	<b>1</b> (1)	<b>1</b> (1)	<b>1</b> (1)	<b>3</b>
Independents	<b>0</b> (0.66)	<b>1</b> (0.66)	<b>1</b> (0.66)	<b>2</b>
Lib Dem	<b>0</b> (0.66)	<b>1</b> (0.66)	<b>1</b> (0.66)	<b>2</b>
	<b>10</b>	<b>10</b>	<b>10</b>	<b>30</b>

#### Part 2. LICENSING COMMITTEE

	Licensing Committee
Conservative	6
Liberal	1
New Independents	1
Independents	1
Lib Dem	1

#### Summary of allocation of places to committees

Conservative one less seat on Planning (7 to 6)  
 Conservative one less seat on Licensing (7 to 6)  
 Liberal gain one seat on Policy & Resources (1 to 2)  
 Liberal Democrats lose a seat on Policy & Resources (1 to 0)  
 Liberal Democrats gain a seat on Planning (0 to 1)

This page is intentionally left blank

### RYEDALE DISTRICT COUNCIL

#### APPOINTMENT OF MEMBERS TO COMMITTEES – 14 JANUARY 2016

##### POLICY & RESOURCES COMMITTEE

<u>Conservative</u>	<u>Independents</u>	<u>Liberal</u>	<u>Liberal Democrat</u>	<u>New Independents</u>
S Arnold (Vice-Chairman) V M Arnold J R Bailey L Cowling (Chairman) L P Ives W R F H Oxley J R Raper	-	J S Clark J Andrews		P J Andrews
<u>Substitutes</u>	<u>Substitutes</u>	<u>Substitutes</u>	<u>Substitutes</u>	<u>Substitutes</u>
M J T Cleary F A Farnell C G Goodrick E Hope		T J Thornton M Potter		L M Burr

##### OVERVIEW & SCRUTINY COMMITTEE

<u>Conservative</u>	<u>Independents</u>	<u>Liberal</u>	<u>Liberal Democrat</u>	<u>New Independents</u>
G Acomb (Vice Chairman) D E Cussons K C Duncan R W K Gardiner R T Jainu-Deen J E Sanderson	C R Wainwright (Chairman)	M Potter	D E Keal	W E Jowitt

## PLANNING COMMITTEE

<u>Conservative</u>	<u>Independents</u>	<u>Liberal</u>	<u>Liberal Democrat</u>	<u>New Independents</u>
M J T Cleary F A Farnell J Frank (Vice-Chairman) C G Goodrick E Hope J A Windress (Chairman)	B Maud	T J Thornton	E L Shields	L M Burr
<u>Substitutes</u>	<u>Substitutes</u>	<u>Substitutes</u>	<u>Substitutes</u>	<u>Substitutes</u>
R T Jainu-Deen D E Cussons J R Raper	C R Wainwright	J Andrews J S Clark	D E Keal	P J Andrews

## LICENSING COMMITTEE

<u>Conservative</u>	<u>Independents</u>	<u>Liberal</u>	<u>Liberal Democrat</u>	<u>New Independents</u>
M J T Cleary F A Farnell J Frank C G Goodrick E Hope J A Windress	B Maud	T J Thornton	E L Shields	L M Burr

**RYEDALE DISTRICT COUNCIL  
COUNCIL TAX BASE FOR THE YEAR 2016-2017**

**BAND 'D' EQUIVALENT TOTALS FOR TOWN AND PARISH AREAS**

<b>Parish / Town</b>	<b>Band D Equivalent</b>
ACKLAM	70.37
AISLABY MIDDLETON & WRELTON	310.87
ALLERSTON & WILTON	198.27
AMOTHERBY	143.68
AMPLEFORTH	382.48
APPLETON-LE-MOORS	95.60
APPLETON-LE-STREET	51.64
BARTON-LE-STREET	81.38
BARTON-LE-WILLOWS	89.46
BARUGHS AMBO	90.90
BEADLAM	96.65
BIRDSALL	73.95
BRANSDALE	28.71
BRAWBY	66.08
BROUGHTON	80.82
BULMER	95.15
BURYTHORPE	107.87
BUTTERCRAMBE	41.42
BYLAND WITH WASS & OLDSTEAD	120.79
CAWTON COULTON & GRIMSTONE	102.30
CLAXTON & SAND HUTTON	205.93
COLD KIRBY	52.35
CONEYSTHORPE	42.86
CROPTON	118.14
EBBERSTON & YEDINGHAM	258.32
EDSTONE	66.01
FADMOOR	58.05
FARNDALE EAST	51.32
FARNDALE WEST	53.57
FLAXTON	144.85
FOSTON & THORNTON-LE-CLAY	127.76
FOXHOLES with BUTTERWICK	92.85
GANTON with POTTER BROMPTON	85.98
GATE HELMSLEY & UPPER HELMSLEY	139.81
GILLAMOOR	68.47
GILLING EAST	103.51
HABTON	130.58
HAROME	125.90
HARTOFT	36.64
HARTON	40.98
HAWNBY	93.41
HELMSLEY	726.35
HENDERSKELFE	26.06
HESLERTON	146.71
HOVINGHAM & SCACKLETON	250.06
HOWSHAM	60.35
HUTTON-LE-HOLE	102.57
HUTTONS AMBO	128.10
KIRBYGRINDALYTHE	117.69

<b>Parish / Town</b>	<b>Band D Equivalent</b>
KIRBY MISPERTON	127.74
KIRKBYMOORSIDE	1148.44
LANGTON	40.40
LASTINGHAM	71.62
LEAVENING	137.09
LEVISHAM	52.44
LILLINGS AMBO	78.39
LOCKTON	130.74
LUTTONS	161.21
MALTON	1885.62
MARISHES	59.05
MARTON	98.83
NAWTON	272.12
NEWTON-ON-RAWCLIFFE & STAPE	129.98
NORMANBY	70.46
NORTON	2487.83
NUNNINGTON	125.77
OLD BYLAND & SCAWTON	72.96
OSWALDKIRK	119.22
PICKERING	2669.63
POCKLEY	45.61
RIEVAULX	41.74
RILLINGTON	381.14
ROSEDALE EAST & WEST	193.75
SALTON	35.46
SCAGGLETHORPE	91.51
SCAMPSTON with E & W KNAPTON	122.09
SCRAYINGHAM with LEPPINGTON	82.97
SETTRINGTON	133.69
SHERBURN	261.85
SHERIFF HUTTON with CORNBOROUGH	450.80
SINNINGTON	142.21
SLINGSBY	238.85
SOUTHOLME & FRYTON	37.73
SPAUNTON	35.08
SPROXTON	59.33
STONEGRAVE	50.81
SWINTON	208.01
TERRINGTON	244.97
THIXENDALE	80.32
THORNTON-LE-DALE	812.42
THORPE BASSETT	46.39
WARTHILL	111.11
WEAVERTHORPE	112.45
WELBURN (KIRKBYMOORSIDE)	31.98
WELBURN (MALTON)	214.63
WESTOW	145.51
WHARRAM	43.23
WHITWELL-ON-THE-HILL & CRAMBE	104.64
WILLERBY & STAXTON	232.27
WINTRINGHAM	78.65
WOMBLETON	148.95
<b>COUNCIL TAX BASE</b>	<b>20943.26</b>
<b>(aggregate of band "D" equivalents)</b>	

Parish / Town	RDC Band D £	Parish Band D £	Special Expenses £	Aggregate of Band D £	Council Tax at Band							
					A £	B £	C £	D £	E £	F £	G £	H £
Acklam	180.23	28.42	0.00	208.65	139.10	162.28	185.46	208.65	255.02	301.38	347.75	417.30
Aislabry, Middleton & Wrelton	180.23	7.72	7.48	195.43	130.29	152.00	173.71	195.43	238.86	282.28	325.72	390.86
Allerston & Wilton	180.23	15.13	7.48	202.84	135.23	157.77	180.30	202.84	247.91	292.98	338.07	405.68
Amotherby	180.23	27.31	0.00	207.54	138.36	161.42	184.48	207.54	253.66	299.78	345.90	415.08
Ampleforth	180.23	41.83	0.00	222.06	148.04	172.71	197.38	222.06	271.41	320.75	370.10	444.12
Appleton le Moors	180.23	10.67	0.00	190.90	127.26	148.48	169.68	190.90	233.32	275.74	318.16	381.80
Appleton le Street	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Barton le Street	180.23	6.14	0.00	186.37	124.24	144.96	165.66	186.37	227.78	269.20	310.61	372.74
Barton le Willows	180.23	11.74	0.00	191.97	127.98	149.31	170.64	191.97	234.63	277.29	319.95	383.94
Barughs Ambo	180.23	8.58	7.48	196.29	130.86	152.67	174.48	196.29	239.91	283.52	327.15	392.58
Beadlam	180.23	23.18	0.00	203.41	135.60	158.21	180.80	203.41	248.61	293.81	339.01	406.82
Birdsall	180.23	4.06	0.00	184.29	122.86	143.34	163.81	184.29	225.24	266.19	307.15	368.58
Bransdale	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Brawby	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Broughton	180.23	18.56	0.00	198.79	132.52	154.62	176.70	198.79	242.96	287.14	331.31	397.58
Bulmer	180.23	18.22	0.00	198.45	132.30	154.35	176.40	198.45	242.55	286.65	330.75	396.90
Burythorpe	180.23	16.69	0.00	196.92	131.28	153.16	175.04	196.92	240.68	284.44	328.20	393.84
Buttercrambe	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Byland with Wass & Oldstead	180.23	6.71	0.00	186.94	124.62	145.40	166.16	186.94	228.48	270.02	311.56	373.88
Cawton, Coulton & Grimstone	180.23	6.35	0.00	186.58	124.38	145.12	165.84	186.58	228.04	269.50	310.96	373.16
Claxton & Sand Hutton	180.23	23.26	0.00	203.49	135.66	158.27	180.88	203.49	248.71	293.93	339.15	406.98
Cold Kirby	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Coneysthorpe	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Cropton	180.23	6.77	7.48	194.48	129.65	151.27	172.87	194.48	237.69	280.91	324.13	388.96
Ebberston and Yedingham	180.23	21.00	7.48	208.71	139.14	162.33	185.52	208.71	255.09	301.46	347.85	417.42
Edstone	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Fadmoor	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Farndale East	180.23	6.63	0.00	186.86	124.57	145.34	166.09	186.86	228.38	269.91	311.43	373.72
Farndale West	180.23	11.57	0.00	191.80	127.86	149.18	170.48	191.80	234.42	277.04	319.66	383.60
Flaxton	180.23	19.80	0.00	200.03	133.35	155.58	177.80	200.03	244.48	288.93	333.38	400.06
Foston & Thornton le Clay	180.23	19.57	0.00	199.80	133.20	155.40	177.60	199.80	244.20	288.60	333.00	399.60
Foxholes and Butterwick	180.23	34.14	0.00	214.37	142.91	166.73	190.55	214.37	262.01	309.64	357.28	428.74
Ganton and Potter Brompton	180.23	23.26	0.00	203.49	135.66	158.27	180.88	203.49	248.71	293.93	339.15	406.98
Gate Helmsley & Upper Helmsley	180.23	13.59	0.00	193.82	129.21	150.75	172.28	193.82	236.89	279.96	323.03	387.64
Gillamoore	180.23	6.13	0.00	186.36	124.24	144.95	165.65	186.36	227.77	269.18	310.60	372.72

Parish / Town	RDC Band D £	Parish Band D £	Special Expenses £	Aggregate of Band D £	Council Tax at Band							
					A £	B £	C £	D £	E £	F £	G £	H £
Gilling East	180.23	14.97	0.00	195.20	130.13	151.82	173.51	195.20	238.58	281.95	325.33	390.40
Habton	180.23	4.21	0.00	184.44	122.96	143.45	163.94	184.44	225.43	266.41	307.40	368.88
Harome	180.23	39.71	0.00	219.94	146.62	171.07	195.50	219.94	268.81	317.69	366.56	439.88
Hartoft	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Harton	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Hawnby	180.23	9.42	0.00	189.65	126.43	147.51	168.57	189.65	231.79	273.94	316.08	379.30
Helmsley	180.23	106.01	0.00	286.24	190.82	222.63	254.43	286.24	349.85	413.46	477.06	572.48
Henderskelfe	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Heslerton	180.23	21.61	0.00	201.84	134.56	156.99	179.41	201.84	246.69	291.54	336.40	403.68
Hovingham & Scackleton	180.23	24.06	0.00	204.29	136.19	158.89	181.59	204.29	249.69	295.08	340.48	408.58
Howsham	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Hutton le Hole	180.23	47.83	0.00	228.06	152.04	177.38	202.72	228.06	278.74	329.42	380.10	456.12
Huttons Ambo	180.23	21.47	0.00	201.70	134.46	156.88	179.28	201.70	246.52	291.34	336.16	403.40
Kirbygrindalythe	180.23	11.05	0.00	191.28	127.52	148.77	170.02	191.28	233.79	276.29	318.80	382.56
Kirbymisperton	180.23	12.13	7.48	199.84	133.23	155.43	177.63	199.84	244.25	288.65	333.07	399.68
Kirkbymoorside	180.23	64.00	0.00	244.23	162.82	189.96	217.09	244.23	298.50	352.77	407.05	488.46
Langton	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Lastingham	180.23	24.71	0.00	204.94	136.62	159.40	182.16	204.94	250.48	296.02	341.56	409.88
Leavening	180.23	11.67	0.00	191.90	127.93	149.26	170.57	191.90	234.54	277.19	319.83	383.80
Levisham	180.23	0.00	7.48	187.71	125.14	146.00	166.85	187.71	229.42	271.13	312.85	375.42
Lillings Ambo	180.23	2.81	0.00	183.04	122.02	142.37	162.70	183.04	223.71	264.39	305.06	366.08
Lockton	180.23	23.37	7.48	211.08	140.72	164.18	187.62	211.08	257.98	304.89	351.80	422.16
Luttons	180.23	20.81	0.00	201.04	134.02	156.37	178.70	201.04	245.71	290.39	335.06	402.08
Malton	180.23	61.92	2.58	244.73	163.15	190.35	217.53	244.73	299.11	353.50	407.88	489.46
Marishes	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Marton	180.23	4.25	7.48	191.96	127.97	149.31	170.63	191.96	234.61	277.27	319.93	383.92
Nawton	180.23	19.82	0.00	200.05	133.36	155.60	177.82	200.05	244.50	288.96	333.41	400.10
Newton on Rawcliffe & Stape	180.23	16.16	7.48	203.87	135.91	158.57	181.21	203.87	249.17	294.47	339.78	407.74
Normanby	180.23	25.55	7.48	213.26	142.17	165.87	189.56	213.26	260.65	308.04	355.43	426.52
Norton	180.23	54.26	3.93	238.42	158.94	185.44	211.92	238.42	291.40	344.39	397.36	476.84
Nunnington	180.23	17.09	0.00	197.32	131.54	153.47	175.39	197.32	241.17	285.02	328.86	394.64
Old Byland & Scawton	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Oswaldkirk	180.23	17.11	0.00	197.34	131.56	153.49	175.41	197.34	241.19	285.04	328.90	394.68
Pickering	180.23	62.93	0.00	243.16	162.10	189.13	216.14	243.16	297.19	351.23	405.26	486.32
Pockley	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46

Parish / Town	RDC Band D £	Parish Band D £	Special Expenses £	Aggregate of Band D £	Council Tax at Band							
					A £	B £	C £	D £	E £	F £	G £	H £
Rievaulx	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Rillington	180.23	32.27	0.00	212.50	141.66	165.28	188.88	212.50	259.72	306.94	354.16	425.00
Rosedale East & West	180.23	27.10	7.48	214.81	143.21	167.08	190.94	214.81	262.54	310.27	358.02	429.62
Salton	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Scagglethorpe	180.23	17.66	0.00	197.89	131.92	153.92	175.90	197.89	241.86	285.84	329.81	395.78
Scampston & East and West Knaptons	180.23	18.43	0.00	198.66	132.44	154.51	176.58	198.66	242.81	286.95	331.10	397.32
Scrayingham and Leppington	180.23	15.67	0.00	195.90	130.60	152.37	174.13	195.90	239.43	282.96	326.50	391.80
Settrington	180.23	27.30	0.00	207.53	138.35	161.41	184.47	207.53	253.65	299.76	345.88	415.06
Sherburn	180.23	76.38	0.00	256.61	171.07	199.59	228.09	256.61	313.63	370.66	427.68	513.22
Sheriff Hutton with Cornborough	180.23	35.07	0.00	215.30	143.53	167.46	191.37	215.30	263.14	310.99	358.83	430.60
Sinnington	180.23	10.55	7.48	198.26	132.17	154.21	176.23	198.26	242.31	286.37	330.43	396.52
Slingsby	180.23	26.93	0.00	207.16	138.10	161.13	184.14	207.16	253.19	299.23	345.26	414.32
Southolme & Fryton	180.23	17.84	0.00	198.07	132.04	154.06	176.06	198.07	242.08	286.10	330.11	396.14
Spaunton	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Sproxton	180.23	3.00	0.00	183.23	122.15	142.51	162.87	183.23	223.95	264.66	305.38	366.46
Stonegrave	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Swinton	180.23	17.31	0.00	197.54	131.69	153.64	175.59	197.54	241.44	285.33	329.23	395.08
Terrington	180.23	12.59	0.00	192.82	128.54	149.97	171.39	192.82	235.67	278.52	321.36	385.64
Thixendale	180.23	12.45	0.00	192.68	128.45	149.86	171.27	192.68	235.50	278.31	321.13	385.36
Thornton le Dale	180.23	30.77	7.48	218.48	145.65	169.93	194.20	218.48	267.03	315.58	364.13	436.96
Thorpe Bassett	180.23	4.31	0.00	184.54	123.02	143.53	164.03	184.54	225.55	266.56	307.56	369.08
Warthill	180.23	11.25	0.00	191.48	127.65	148.93	170.20	191.48	234.03	276.58	319.13	382.96
Weaverthorpe	180.23	31.12	0.00	211.35	140.90	164.38	187.86	211.35	258.32	305.28	352.25	422.70
Welburn (Kirkbymoorside)	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Welburn (Malton)	180.23	18.64	0.00	198.87	132.58	154.68	176.77	198.87	243.06	287.25	331.45	397.74
Westow	180.23	15.81	0.00	196.04	130.69	152.48	174.25	196.04	239.60	283.17	326.73	392.08
Wharram	180.23	0.00	0.00	180.23	120.15	140.18	160.20	180.23	220.28	260.33	300.38	360.46
Whitwell on the Hill & Crambe	180.23	4.78	0.00	185.01	123.34	143.90	164.45	185.01	226.12	267.23	308.35	370.02
Willerby and Staxton	180.23	24.15	0.00	204.38	136.25	158.96	181.67	204.38	249.80	295.21	340.63	408.76
Wintringham	180.23	28.61	0.00	208.84	139.22	162.43	185.63	208.84	255.25	301.66	348.06	417.68
Wombledon	180.23	28.87	0.00	209.10	139.40	162.63	185.86	209.10	255.57	302.03	348.50	418.20

This page is intentionally left blank



---

**REPORT TO:** COUNCIL

**DATE:** 25 FEBRUARY 2016

**REPORT OF THE:** FINANCE MANAGER (s151)  
PETER JOHNSON

**TITLE OF REPORT:** FINANCIAL STRATEGY 2016/2017

**WARDS AFFECTED:** ALL

---

## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report sets out the changes to the Council's funding as a result of the Final Local Government Finance Settlement announced on the 8th February 2016, after Policy and Resources Committee, and reflects those changes in a revised recommendation.

### **2.0 RECOMMENDATIONS**

That Council is recommended:

- (i) To approve the Council's Financial Strategy, as amended within this report, which includes:
  - a. Savings/additional income totalling £584k (Financial Strategy Appendix A)
  - b. Growth Pressures totalling £410k (Financial Strategy Appendix A)
  - c. The Prudential Indicators (Financial Strategy Appendix B)
  - d. The revised capital programme (Financial Strategy Appendix D)
  - e. The Pay Policy 2016/2017 (Financial Strategy Appendix E)
- (ii) a revenue budget for 2016/2017 of £6,412,605 which represents a 2.82% in the Ryedale District Council Tax, increasing the Band D charge from £176.72 to £181.71 (note that total Council Tax, including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council) and to reduce the amount of New Homes Bonus required to balance the revenue budget for 2016/17 by £104,522 and to reflect these changes in the medium term revenue forecast.
- (iii) to approve the special expenses amounting to £35,100;
- (iv) to note the financial projection for 2016/17 – 2020/21 as amended within this report (Annex B).

### **3.0 REASON FOR RECOMMENDATIONS**

3.1 To reflect the changes to this Council's funding as a result of the Final Local Government Settlement.

### **4.0 SIGNIFICANT RISKS**

4.1 Section 9 of the Financial Strategy outlines the significant risks in the Council's finances and mitigating controls.

### **5.0 POLICY CONTEXT CONSULTATION**

5.1 The Financial Strategy is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.

## **REPORT**

### **6.0 BACKGROUND AND INTRODUCTION**

6.1 Policy and Resources Committee on the 4th February 2016 recommended the following to Council:

That Council is recommended:

- (i) To approve the Council's Financial Strategy (Annex A) which includes:
  - a. Savings/additional income totalling £584k (Financial Strategy Appendix A)
  - b. Growth Pressures totalling £410k (Financial Strategy Appendix A)
  - c. The Prudential Indicators (Financial Strategy Appendix B)
  - d. The revised capital programme (Financial Strategy Appendix D)
  - e. The Pay Policy 2016/2017 (Financial Strategy Appendix E)
- (ii) a revenue budget for 2016/2017 of £6,381,609 which represents a 1.99% in the Ryedale District Council Tax, increasing the Band D charge from £176.72 to £180.23 (note that total Council Tax, including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council) and to reduce the amount of New Homes Bonus required to balance the revenue budget for 2016/17 by £73,526 and to reflect these changes in the medium term revenue forecast.
- (iii) to approve the special expenses amounting to £35,100;
- (iv) to note the financial projection for 2016/17 – 2020/21 (Annex B).

6.2 The final settlement was announced on the 8th February 2016 and the following changes were published.

- Rural Services Delivery Grant to be increased by £427,390 in 2016/17 and by £211,930 in 2017/18 with future years grant funding remaining unchanged from the provisional settlement.
- Additional Transition Grant announced of £25,170 for 2016/17 and £25,070 for 2017/18.
- Flexibility to increase Council Tax by £5 or 2%, whichever is higher, without the need for a referendum.

- 6.3 The Council has already delivered a balanced budget for 2016/17 based on the lower level of government support announced in the provisional finance settlement through the creation of over £500k of savings.
- 6.4 Government assumptions around Council Tax growth have remained unchanged as a result of the final settlement, ie. core spending power assumptions are still based on an inflationary council tax increase over the life of the current Parliament. Council Tax Freeze Grant will not be available in 2016/17.
- 6.5 The increased grant funding announced in the final settlement is only temporary for the years 2016/17 and 2017/18, the council will still be required to deliver the same level of savings by 2019/20 as was calculated from the provisional settlement. However the increased grant funding does give flexibility in the short term to deliver Member priorities as well as set aside funding to enable delivery of the Towards 2020 transformation programme.
- 6.6 Officers recommend the amended approach highlighted above by accounting for the increase in grant funding of £453,100 and reducing the amount of New Homes Bonus required to balance the 2016/17 budget by the same amount. The medium term revenue forecast can also be updated to reflect the same scenario for 2017/18.
- 6.7 In terms of the increased flexibility around Council Tax increases, a £5 increase in the Band D equivalent would generate an additional £30,996 of council tax income every year going forward and this will compound over time. Officers recommend this amendment to the Policy and Resources Committee resolution, which reflects a prudent approach to the medium term financial strategy of the Authority.

## **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:
- a) Financial  
Significant financial implications on the Council are detailed in the report and the Financial Strategy.
  - b) Legal  
There are no additional legal issues on the Council from the recommendations.
  - c) Other  
The proposals within the Financial Strategy do impact on the staffing resources of the Authority. Appropriate procedures and plans are in place to manage these issues.

**Peter Johnson**  
**Finance Manager (s151)**

**Author:** Peter Johnson, Finance Manager (s151)  
**Telephone No:** 01653 600666 ext: 385  
**E-Mail Address:** [peter.johnson@ryedale.gov.uk](mailto:peter.johnson@ryedale.gov.uk)

**Background Papers:**

[Provisional local government finance settlement: England, 2016 to 2017 and future years - GOV.UK](#)

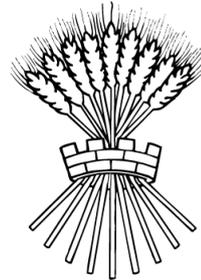
[New Homes Bonus: sharpening the incentive: technical consultation - Consultations - GOV.UK](#)

[Ryedale District Council - budget consultation](#)

**Background Papers are available for inspection at:**

N/A

RYEDALE  
DISTRICT  
COUNCIL



# **FINANCIAL STRATEGY**

**2016 - 2021**

# **REVENUE BUDGET**

**2016 – 2017**

## **CONTENTS**

	<b>Page Nos</b>
<b>Executive Summary (for Full Council)</b>	<b>1 - 3</b>
<b>Financial Strategy</b>	<b>4 - 42</b>
<b>Revenue Budget 2016-17</b>	<b>43 - 62</b>

RYEDALE DISTRICT COUNCIL

To:

Members of Ryedale District Council

Meeting:

Thursday, 25 February 2016

**BUDGET REVIEW 2016-17**

The Financial Strategy 2016-2021, Revenue Budget for 2016-17, the Capital Programme, the Prudential Indicators, the Pay Policy and Special Expenses recommended for approval by the Policy and Resources Committee, are submitted for approval by the Council. The appropriate draft resolution has been circulated to all Members of the Council.

A handwritten signature in black ink, appearing to read 'P. Johnson', is positioned above the typed name.

P Johnson, Finance Manager (s151)

## **EXECUTIVE SUMMARY**

Financial Management is essential in achieving good corporate governance and underpins service quality, improvement and accountability. It supports effective performance and the achievement of the organisations aims. Financial Planning is integral to an organisations strategic planning process.

The Council has put in place a fully integrated Financial Strategy that seeks to ensure Long-term financial stability, the achievement of Value for Money and funding for priorities.

The focus of the Financial Strategy is on long term planning and decision making for the future. Whilst the Strategy includes specific proposals for the 2016/17 Revenue Budget there should not be an over concentration on just one years budget. This Strategy seeks to avoid year on year budget setting and use of short term/one off measures to balance the budget. It is a strategy for the future, to ensure effective resource planning and the delivery of Corporate Objectives.

To achieve the delivery of this Financial Strategy will require an understanding within the senior levels of the organisation of the collective responsibilities for stewardship and use of resources.

The Financial Strategy seeks to achieve the following objectives: -

1. Budgets are Prudent and Sustainable in the Long Term,
2. Financial plans recognise corporate Priorities and Objectives,
3. Significant risks are identified, and mitigation factors identified,
4. The Capital Programme is planned over a 4 year period with no further borrowing planned beyond the £2.07m for the Brambling Fields project.
5. Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account,
6. Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change,
7. Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council,
8. Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy,
9. The Financial Strategy supports the achievement of Excellence in Financial Management and use of resources.

The Summary Position is as follows:

- A revenue budget for 2016/2017 of **£6,381,609**.
- A 1.99% increase in Council Tax for the Ryedale District Council Tax, increasing the Band D charge from **£176.72 to £180.23** (note the total Council Tax, including County Council, Fire and Police is covered within the separate Council Tax setting report)
- Savings / additional income of **£584,000**
- Application of **£811,000** New Homes Bonus to the Revenue Budget.
- Application of **£188,000** New Home Bonus to the Capital Programme
- Unused New Homes Bonus of **£678,000**.
- A capital programme totalling **£5,540,000** over the period 2016 - 2020
- The Treasury Management Statement and Annual Investment Strategy 2016/17
- The Prudential Indicators
- The Pay Policy 2016/17
- Special Expenses for Street Lighting of £35,100

The following table summarises the changes:

	<b>£000s</b>
2015/2016 Base Budget Brought forward	6,823
Add:	
Base Budget Adjustments	125
Growth items (appendix A)	410
Total	7,358
Less:	
Efficiencies/Savings/Cuts/Additional Income (appendix A)	584
Rural Services Delivery Grant	141
Movement in New Homes Bonus	251
<b>2016/2017 Net Revenue Budget</b>	<b>6,382</b>

### **Section 25 Report (Report of the Chief Finance Officer – Finance Manager (s151))**

In setting the Revenue budget for 2016/2017 I consider that the **proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.**

The total savings and additional income proposals are £584k. This level is significant in relation to the Authority's overall budget and therefore inherently carries a risk. The achievement of these savings will be crucial in managing within the budget. The risk of this has been mitigated in part by thoroughly reviewing all savings proposals for their robustness and effective budget monitoring procedures are in place. There inevitably remains a risk in delivering on this level of savings and there is always potential for delay in achieving savings or failure to

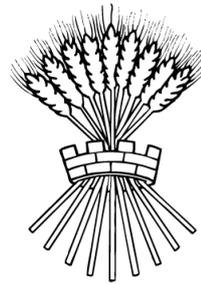
achieve income targets. Where this occurs, compensating savings will need to be identified. Assumptions are within the 2016/2017 budget that the 3 month moratorium £21k will be delivered.

The overall level of reserves is considered in detail within the Financial Strategy. I consider that the overall level of reserves is adequate.

The Capital Plan and Capital Programme have been regularly reviewed during the year. The unapplied capital resources will need to be considered in knowledge of the ongoing expectations of low interest rates and limited capital receipts generated by the Authority. It is important that proper project management disciplines are followed for schemes within the programme together with regular monitoring to minimise the potential for unexpected overspends.

Within the current economic climate it will be important that close budget monitoring of services which generate income and partnerships takes place. In particular Land Charges, Ryecare, Building Control, Recycling, Trade Waste, Green Waste, Car Parking and Planning to enable action to be taken in year where necessary.

RYEDALE  
DISTRICT  
COUNCIL



# **FINANCIAL STRATEGY**

## **2016-2021**

# FINANCIAL STRATEGY

## CONTENTS

### **Main Report**

1. Purpose and Scope
2. Objectives of the Financial Strategy
3. The Current Financial Position
4. The Financial Strategy Objectives
5. The Revenue Plan 2016 - 2021
6. Development of the Financial Strategy
7. The Capital Plans 2016 - 2020
8. Balances and Reserves
9. Impact/Risk Assessment
10. Pay Policy 2016/2017
11. Conclusion

**Appendix A:** 2016/2017 Revenue Budget Pressures and Savings

**Appendix B:** Medium Term Revenue Forecast 2016/17 - 2020/21

**Appendix C:** Prudential Indicators

**Appendix D:** Reserves and Balances

**Appendix E:** Capital Programme 2016 - 2020

**Appendix F:** Pay Policy 2016/2017

## **1.INTRODUCTION – THE PURPOSE AND SCOPE OF THE FINANCIAL STRATEGY**

The Financial Strategy sets out the overall shape of the Council's budget by establishing how available resources will be allocated between services, reflecting Council and community priorities, and therefore providing a framework for the preparation of annual budgets.

The Strategy is linked with and supports service priorities and the Council's other strategies and plans, including but not limited to:

- The Community Plan – Imagine Ryedale
- The Council's Corporate Plan
- The Asset Management Plan
- The IT Strategy
- The Procurement Strategy
- The Treasury Management Strategy
- The Risk Management Strategy
- The HR Strategy

The focus of the Financial Strategy is on medium and long term planning, and decision making for the future. Whilst the Strategy includes specific proposals for a particular financial year, there should not be an over concentration on just one years budget. This Strategy seeks to avoid year on year budget setting, and use of short term/one off measures to balance the budget. It is a Strategy for the future, to ensure effective resource planning and the delivery of Corporate Objectives.

In particular it:

- sets out the Council's medium term financial aims and the measures to be taken to ensure they will be achieved;
- sets out the Council's approach to delivering improved services and value for money over the next few years;
- describes the Council's arrangements for developing the financial strategy, including:
  - The identification and prioritisation of spending needs;
  - The key financial influences on the medium term financial planning and the assumptions made in developing the plan;
  - The challenges and risks associated with the plan and how the Council will deal with them.
- sets out the Council's policy on reserves and balances.
- identifies the resource issues and principles, which will shape the Council's Financial Strategy and annual budgets.

The Financial Strategy covers all revenue and capital spending plans of the Authority.

## **2. OBJECTIVES OF THE FINANCIAL STRATEGY**

The Financial Strategy seeks to achieve the following **Objectives**: -

1. Budgets are Prudent and Sustainable in the Long Term,
2. Financial plans recognise corporate Priorities and Objectives,
3. Significant risks are identified, and mitigation factors identified,
4. The Capital Programme is planned over a 4 year period. Borrowing will only take place where there is a clear financial business case to borrow and it meets the requirements of the Prudential Code,
5. Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account,
6. Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change,
7. Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council,
8. Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy,
9. The Financial Strategy supports the achievement of Excellence in Financial Management and use of resources.

### 3. THE CURRENT FINANCIAL POSITION

The Council's net budget for 2015/16 totals £6.823m and is allocated to services as shown:

Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services	4,660	3,932	728
Cultural & Related Services	1,345	47	1,298
Environmental & Regulatory Services	4,492	2,134	2,358
Highways & Transport Services	357	860	(503)
Housing Services	13,814	12,659	1,155
Planning Services	1,952	728	1,224
	26,620	20,360	6,260
Other Financial Adjustments			563
<b>Net Revenue Budget</b>			<b>6,823</b>
Financed By:			
Revenue Support Grant and Retained Business Rates			3,090
Collection Fund Surplus – Council Tax			104
Ryedale District Council Precept			3,629
<b>Total</b>			<b>6,823</b>

Overall Ryedale continues to have a strong financial discipline, which is exemplified by the size and diversity of its balances and its year-on-year budgetary performance. However, revenue spending demands are increasing in several areas.

These spending demands have a fundamental impact on the way in which the Council operates. It has to continually deliver real efficiencies to balance year-on-year financial resources with the high quality services which residents and visitors expect.

Appendix A details the budget pressures and savings/additional income proposals for the 2016/2017 budget.

The financial strategy is to some extent shaped by factors outside the Council's immediate control. However, there are many facets to an effective financial strategy, and the Council must ensure it proactively manages its resources with a view to ensuring robust financial planning that delivers Council priorities.

#### External Factors:

**Revenue Support Grant and Retained Business Rates** – In December 2015 the council received the provisional finance settlement for 2016/17, as well as indicative figures for a further 3 years through to the end of the current Parliament. There still remains significant uncertainties particularly around

New Homes Bonus, where figures are classed as illustrative and are subject to consultation.

The Revenue Support Grant will see substantial reductions in future years reducing to zero followed by ongoing reductions to the Business Rates Tariff. Under the Business Rate Retention Scheme RDC keeps a proportion of business rates collected, but must pay a fixed tariff from its share. The retained share is 40% and any income above target performance will increase the retained share for Ryedale (after paying a levy of 50% of any growth). The down side risk is that any reductions in collected business rates lead to a 40% reduction in RDC income. Careful monitoring of business rates collection and appeals will be required. The financial impact of any significant appeal costs will need to be managed through reserves.

In order to reduce levies payable the Council has formed a business rates pool with North Yorkshire County Council (NYCC), Hambleton District Council, Craven District Council, Richmondshire District Council and Scarborough Borough Council. This should generate additional retained business rates, however this will dependent not only on Ryedale's business rate income but that of the other partners (excluding NYCC).

**Public Spending Plans and National Priorities** - It is clear from the Spending Review and the subsequent Provisional Local Government finance settlement that the Authority will see several years of reducing Government financial support. Public services are however under increased pressure from their customers for improved service provision. In addition new legislation proposals may create burdens as well as opportunities for the Council. This financial strategy seeks to ensure national priorities are considered alongside local priorities.

### **Efficiencies**

The requirement to formally record and report efficiencies has now been removed however the achievement of efficiencies will be essential to balancing the Council's budget with minimal impact to front line services with the likely levels of government Grant support.

These efficiencies have to be achieved through a greater focus on Value for Money (VFM) and through a culture of innovation. Responsibility for identifying opportunities for efficiency gains are left to individual Councils and it will be up to them to put in place the processes that they need to plan VFM projects, track delivery, measure achievement, and assure service quality. The Council's Corporate Efficiency Programme, which started with the One-11 programme for 2011/2012, Going for Gold for 2012/2013 and Round 3 for 2013/2014, has been an essential tool in delivering savings to meet the target and to finance other services within the Authority. Having completed the review of the whole organisation, the scope for significant savings without more radical approaches to service delivery are not there. Careful evaluation of more radical approaches and proper consideration of risk will be vital to deliver sustainable savings. Following the announcement of the 4 year Finance Settlement and the consequential savings requirement that this

places on the councils budget, the council is now implementing a more radical approach to transformation through the Towards 2020 programme. Following the previous efficiency programmes which involved a review of services, the level of savings required necessitates the council to invest resources in achieving the transformation.

### ***Additional Cost Pressures***

There has been a trend in local government in recent years for additional cost pressures (for example pay increases, impact of meeting national targets, new duties/legislation) to significantly outweigh increases in Government funding. In addition to this some of the pressures carry significant growth year on year, which is not reflected in Revenue Grant Settlements.

Looking ahead, it is likely that further pressures will be placed upon local authorities resulting in the requirement for authorities to achieve efficiencies/savings. These anticipated pressures are reflected within this financial strategy.

### ***New Homes Bonus***

This funding started in 2011/2012 and provided Authorities funding based on the number of new properties brought into use with an added element for affordable housing. The calculation provides that 80% of the funding is paid direct to District Councils with the County Council receiving the remaining 20%. This funding under the local government finance scheme is now provided through a top slice of aggregate external funding.

The Government is consulting on changes to the current NHB scheme, the outcome is likely to result in a reduction in the amount of NHB, the final result of the consultation will dictate the level of reduction. 2014/15 was the first year that NHB funding was used to support the revenue budget with the proposal to drip feed the money into the budget over a number of years to protect existing services. The following table sets out the received and predicted income from New Homes Bonus, the budgeted/ forecast allocation of NHB and the remaining balance available for RDC:

<b>Year</b>	<b>NHB £000</b>	<b>Revenue Support £000</b>	<b>Capital Support £000</b>	<b>Balance £000</b>
2014/2015 (received)	1,127	175	0	952
2015/2016 (received)	1,387	559	288	540
2016/2017 (due)	1,676	810	188	678
2017/18 (illustrative)	1,685	828	188	669
2018/19 (illustrative)	1,059	828	188	43
2019/20 (illustrative)	1,016	828	188	0

The table highlights the indicative reduction in NHB over the life of the current Parliament. It's forecast that by 2019/20 the whole of NHB will be required to support revenue and capital. There is a risk that the illustrative figures for 2017/18 onwards could reduce further following the outcome of the Governments consultation.

### ***External Funding***

The Audit Commission sees the achievement of external funding as a key part in the demonstration of Value for Money. It is likely that the Local Economic Partnerships (LEP) has a role in the distribution of external funding and RDC will need to ensure that it continues to have a voice and link to the LEPs.

The Council must carefully appraise the role that external grant resources can play in meeting its objectives. Decisions about bidding for external grants must be taken in the context of the priorities in the Corporate Plan.

### ***Pensions***

The Council's contribution rate for the North Yorkshire Pension Fund (NYPF) is set based upon the returns to the fund and the recovery period for the fund. These are affected by economic fluctuations and with the current economic turbulence increases in contribution rates may ensue. The contribution rates are established in consultation with the Council based on a triennial review by the actuary. Changes to the scheme benefits have been made which should reduce overall costs. A review took place in 2013/14 and reflecting good performance of the fund particularly in 2013/14 the contribution rates have increased, however by less than expected and based on the interim valuations. The next review will be in 2016/2017 and some estimation of the impact is included in the Financial Strategy.

### ***Significant Partnerships***

The following have been identified as the Council's significant partnerships:

- The Local Enterprise Partnership
- North Yorkshire Building Control Partnership
- White Rose Home Improvement Agency

Further partnerships and shared service may be sought to secure efficiency savings and/or service resilience in future years. Proper governance and security of Council finances will be an important consideration of any such proposals.

The above is meant to be indicative only as there are many other areas of increased customer expectation, Government priorities or Members' wishes for improved services. As stated these future revenue pressures are increasing amidst a heightened need for moderate Council Tax increases. In these circumstances the Council will have to consider further pro-active approaches to reallocation of resources with the attendant consequences for some existing local services as funding is switched to meeting new initiatives.

## **4. THE FINANCIAL STRATEGY OBJECTIVES**

The following are the objectives of the Council's financial strategy:

**Objective 1 - Budgets are Prudent and Sustainable in the Long Term**

This seeks to ensure that budgets recognise real cost pressures.

This will be achieved by ensuring:-

- Adequate provision is made for inflation pressures, pay awards, and new legislation
- The revenue budget is not supported by significant one off savings, or any significant use of reserves
- Effective budget monitoring to ensure early identification of issues and action planning

## **Objective 2 – Financial Plans Recognise Corporate Priorities and Objectives**

This seeks to ensure that financial plans link in with corporate planning and priorities, and that there is provision within the Financial Strategy for growth/development funding on an ongoing basis.

This will be achieved by ensuring:-

- additional investment, and savings proposals make explicit reference to corporate priorities
- Local and national targets are considered
- Long term vision and objectives are considered within the report
- Provision within financial planning figures for growth and contingency amounts based upon perceived risk

## **Objective 3 - Significant risks are identified, and mitigation factors identified**

Risk Management is crucial in long term planning, and it is essential that the Financial Strategy clearly identifies the associated risks, and that this is supported by an embedded risk management culture within the organisation.

This will be achieved by:-

- Risk Management being embedded in corporate and service planning
- Financial risks being specifically considered on an ongoing basis, and specifically reflected within the Financial Strategy

## **Objective 4 - The Capital Programme is planned over a 4 year period, with no further borrowing planned.**

This seeks to ensure that the capital programme is prudent and sustainable, and does not lead to unaffordable revenue implications.

This will be achieved by ensuring: -

- the development of a 4 Year capital programme
- regular review of reserves and balances
- a Corporate approach to external funding opportunities
- that only includes fully evaluated schemes within the programme

**Objective 5 - Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account;**

It is important that the Financial Strategy is realistic and that there is a corporate awareness of the constraints on Council funding.

This will be achieved by ensuring:-

- specific reference within each financial strategy of constraints, and current issues
- regular reporting to members on local government finance issues
- awareness of the financial position within the organisation through effective communication

**Objective 6 - Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change.**

It is important in developing the financial plan that an assumed Council Tax increase is included, ensuring that financial plans do not place over-reliance upon excessive Council Tax increases.

This will be achieved by ensuring that financial plans take account of this level of Council Tax increase, Government expectations on Council Tax increases, and in particular that target efficiency gains reflect the likely levels of Council Tax. However, it has to be recognised that additional burdens and demands can be placed upon local authorities, and that it may not always be feasible to achieve an increase in Council Tax in line with the inflation rate.

**Objective 7 - Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council.**

It is important to strike a balance between maintaining adequate reserves and contingencies and delivering priorities and achievement of Value For Money.

This will be achieved by ensuring:-

- an annual review of reserves, linked to corporate priorities and treasury management implications
- that capital reserves are maintained at a level to fund the planned capital programme

**Objective 8 - Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy**

Value For Money should be at the heart of everything the Council does, and the pursuit of improved efficiency and performance needs to be established as an ongoing underlying principle

This is being achieved through an ongoing review of costs and service standards, challenge, and benchmarking with others.

### **Objective 9 - The Financial Strategy supports the achievement of Excellence in Financial Management and Use of Resources**

A Financial Plan in isolation will achieve little. It needs to be supported by:-

- Effective financial governance arrangements
- Financial Management that supports performance
- Effective Monitoring arrangements
- Effective Financial Reporting

This will be achieved by

- Implementation of the action plans following external inspection
- Developing the financial culture within the Council
- Financial reporting and documentation based upon stakeholder needs
- Maintaining the quality and performance of the Financial Systems
- Training and Development – finance/non finance
- Integration of financial and non financial performance measures

## **5. THE REVENUE PLAN 2016-2021**

The medium term revenue plan (Appendix B) is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The financial forecast is based on the following factors and assumptions:

### ***Local Government Finance Settlement***

The Council receives external support from Central Government through the distribution of resources within the Local Government Finance Settlement. The distribution is made in accordance to authorities' relative needs with a mechanism for protection against detrimental changes in grant allocations.

External funding has been announced for 2016/17 and the following three financial years, however the figures are subject to a number of uncertainties. Announcements indicate that further cuts to funding should be expected in the next parliament. The provisional settlement highlights that funding support will continue to be cut and the medium term predictions incorporate the estimates based on these details.

### ***Localised Business Rates***

As previously stated the Council retains a proportion of business rates out of which it must pay a fixed tariff (subject to RPI uplift). The revenue plan takes the estimated business rates income for 2016/17 based on the NNDR1 information and assumes no growth in business rates base over the plan period.

## **Council Tax**

In accordance with Objective 6 of this Financial Strategy, the plan makes a clear assumption that future Council Tax increases will be restricted to below Government upper limits. The Government has announced that the limit above which increases in Council Tax must be subject to referendum for 2016/17 is 2% or £5, whichever is higher. With a District wide referendum likely to cost in excess of £70k, the authority must look to manage increases below the thresholds and future forecasts assume the referendum limit will be 2%.

A 1.99% increase in Council Tax has been included within this strategy for 2016/17 in line with the recommendation from the Policy and Resources Committee. Future years Council Tax rises are provisionally predicted at 1.99%.

## ***Inflation rates and pay increases***

The medium term plan makes provision for inflation and pay awards as follows:

*Inflation:* a composite rate of approximately 3% has been used for non-salary expenditure budgets

*Pay awards:* in line with the budget strategy an increase of 1% has been included for 2016/17, in addition a small further provision has been made in line with the current Employers offer to the Unions. Future years are based on a 1% increase.

## ***The ongoing effect of existing policies and priorities***

The ongoing effect of current policies is included in the plan. These additional costs include planned changes in the contribution rate to the Pension Fund, salary increments and revenue implications of capital projects.

## ***Spending Pressures Contingency***

The plan assumes provision to meet spending pressures as follows:-

2017/18 - £340,000

2018/19 - £150,000

2019/20 - £150,000

2019/21 - £150,000

Provision is included for years 2017 onwards to recognise the likelihood of additional burdens/pressures upon the Council. 2017/18 includes provision for the next pension fund revaluation which also will need to consider national pension changes as well as additional replacement vehicles previously funded via grant.

### ***Efficiency savings***

The Council no longer has efficiency targets set by Government. Following review of all services over the years 2011/12, 2012/13 and 2013/14, further efficiencies will be sought, however significant sums are not expected without a radical change in the way services are delivered.

The Budget for 2016/17 includes estimated efficiency savings of £584k. These have been delivered through the Voluntary Redundancy and Budget Review Processes.

### ***Risks, contingencies and balances***

There are significant risks inherent in the Medium Term Plan for the reasons summarised above and exemplified in the section below. A number of key items in the plan cannot be estimated with accuracy and the figures in the plan assume that significant savings will be made. In this situation it is essential to maintain sufficient balances, not only to deal with unforeseen events but also to cover the potential risk of not achieving the savings required.

## **6. DEVELOPMENT OF THE FINANCIAL STRATEGY**

As noted above, the development of the budget and medium term financial plan is driven by the Council's priorities.

The Council already has in place a comprehensive Financial Strategy, and this document represents an update to the existing Strategy. The objectives are to:

- help Members to determine priorities;
- forecast the changes in demand for services;
- identify the likely financial implications of changes in legislation;
- demonstrate the future cost of policies or proposals;
- match the demand for spending with the resources likely to be available; and
- provide a financial framework within which services and individual managers can plan their services.

### **The budget process**

The Financial Strategy comprises a 5-year revenue plan and a 4-year capital plan.

The plans will be reviewed annually and rolled forward by a year. The process, from the start of the review of the financial plans through to the approval and allocation of budgets, spans the whole year.

One of the key features of the budget processes is the linkage between the corporate financial requirements and the operational needs and demands of the Council. This will be done through the Service Delivery Plans that identify funding requirements for the revenue and capital budget, performance outcome expectations and risk assessments.

### **Consultation and Communication**

There is a need for this Strategy to be effectively communicated to staff and key stakeholders. In addition, it is important that in the development of the Strategy, allocations of resources, and the setting of Council Tax that there are effective consultation mechanisms in place.

Looking ahead the following broad actions are planned to ensure effective communication and consultation:-

- Budget Consultation.
- Regular communication with staff at all levels and with Unions

### **Budget Monitoring arrangements**

It is essential that the financial plan is regularly monitored, with the progress being reported to Members. This will be done through the issuing of monthly revenue and capital monitoring reports to Corporate Management Team, and financial and performance monitoring reports to the Resources Working Party and the Policy and Resources Committee.

The monitoring process focuses on high risk budgets and involves:

- Regular dialogue between finance staff and service managers with timely and accurate budget monitoring information
- Quarterly service level performance review boards incorporating budgets and financial performance.

The process requires budget holders to explain the reasons for any significant variances and Heads of Service to identify ways in which such variances can be managed within their total resources available. This is one of the key principles underlying this strategy – that growth items are wherever possible accommodated from existing resources. To achieve this requires a culture of financial awareness within the authority and this is seen as a key priority.

## **7. THE CAPITAL PLANS 2016 - 2020**

The capital strategy is the key vehicle for developing long term change to deliver the key priorities and corporate objectives.

### ***a) Prioritisation methodology***

New schemes are reviewed against the Council priorities plus a detailed assessment of deliverability prior to consideration by Council. This

methodology will be applied to all proposals, regardless of the source of funding, prior to any decision being made to apply for external capital support such as grant funding, so that the Council can ensure that they form part of an overall capital investment strategy.

### ***b) Engagement with partners of the community***

The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.

The Council has worked closely with funding partners (recently with the HCA). Future projects will continue to be developed through partnership working more likely with the Local Enterprise Partnership (LEP). The Council also recognises the importance of increased community engagement and participation as fundamental to the quality of public services and the health of community life. The Council will therefore seek to develop major projects with the full involvement of local communities and ensure appropriate consultation prior to scheme approval.

### ***c) Affordability of funding***

#### **Financing the Capital Programme for the Future**

Resources to fund capital spending are provided from central government grants, with other external grants and contributions sought. Council funding in the form of capital receipts, use of reserves, borrowing and from revenue sources make up the balance of resources. However, grants provided by central government and resources from other external agencies are often specific to an individual scheme and cannot be used for any other purpose by the Council. The Council has limited scope to generate significant capital receipts other than through the sale of major underutilised assets.

### ***(d) Integration of Capital and Revenue Decision-Making***

#### ***The Prudential Code***

Under the Prudential Regime, which has operated since April 2004, the Council has the responsibility to demonstrate that its capital investment programme is affordable, prudent and sustainable. The Prudential Code requires that this is done by calculating specific indicators for capital expenditure and financing and by setting borrowing limits. The indicators and borrowing limits for the current and next two years are set out at Appendix C.

#### ***Revenue Implications***

The revenue implications of funding the capital programme are built into the medium term financial forecasts.

### ***(e) Framework for Managing and Monitoring the Capital Programme***

The Finance Manager (s151) has overall responsibility for the preparation and monitoring of the Council's capital programme and for reporting the outcome to Members. The process involves:

- Reviewing the capital programme annually.
- Reviewing the current and estimated future availability of external earmarked funding and other opportunities for obtaining or bidding for additional capital resources.
- Prioritising and appraising any new proposals against agreed corporate criteria.
- Preparing the Council's capital programme and strategy.
- Monitoring progress in achieving the capital programme objectives.
- Ensuring that the outcomes of investment are reported to members.
- Ensuring there are effective arrangements for project planning and project evaluation.
- Issuing corporate guidance to ensure that there is a consistent approach across all service areas.
- Reviewing and monitoring the Council's capital resources and asset disposal programme.

Full details of the programme together with funding streams are attached at Appendix E. The programme is split into five sections:

- Asset Management
- Priority Aims
- Major Schemes
- Externally Funded Schemes
- Other

Schemes relating to Asset Management comprise all those that will result in the Council's assets being improved. These can include works to land and buildings or IT upgrades of either hardware or software.

Schemes under Priority Aims are those where the Council has taken a deliberate decision that these will help satisfy its corporate objectives/key priorities.

## **8. BALANCES AND RESERVES**

The Local Government Act 2003 places a specific duty on the Chief Finance Officer, i.e. the Finance Manager (s151), to make a report to the authority when it is considering its budget and the level of the Council Tax. This report must deal with the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. The Council must have regard to this report in making their decisions.

The Council also has a fiduciary duty to local taxpayers and the Finance Manager (s151) must be satisfied that the decisions taken on the level of balances and reserves represent the proper stewardship of funds.

In assessing the adequacy of the contingencies, balances and reserves, the Finance Manager (s151) takes account of the key financial assumptions underpinning the budget, together with an assessment of the Council's financial management arrangements. This assessment will include a review of past performance and external influences on the financial plan, and full consideration of the risks and uncertainties associated with the plan, their likelihood and potential impact.

The Council's policy is to maintain its contingencies, balances and reserves at levels that are prudent but not excessive. With the outlook for 2016/17 and beyond being very tough, and the scale and risk of achieving cost reduction being high, any reserves identified as being surplus should be prioritised for invest to save schemes and, if required, to smooth the curve of cost reduction in the light of timescales needed to drive costs out.

Appendix D details the position on the Councils Reserves.

## **9. IMPACT/RISK ASSESSMENT**

This section recognises the challenges and risks that have implications for the Council's financial position in the medium term. This assessment of risk is an essential element of the budget process; it is used to inform decisions about the appropriate levels of contingencies and reserves that may be required and to indicate priorities for financial monitoring.

Managing Risk is an important part of the Financial Strategy. In addition to the Corporate Risk Register each service maintains its own risk register. The Corporate Risk Register will be reported to the Overview and Scrutiny Committee during the forthcoming year.

The key risks identified for 2016/17 and in the medium term are listed below, together with comments on how they will be managed:

<b>Issue/Risk</b>	<b>Consequences if allowed to happen</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>	<b>Mitigated Likelihood</b>	<b>Mitigated Impact</b>
Fluctuations in inflation, Government grants, business rate receipts and changes in Government legislation	Council unable to set a balanced budget without significant cuts to services and service quality, adverse external inspection, excessive call on Council reserves	Very Likely	Major	Keep under review through the financial strategy. Consider fully any changes in legislation. Ensure adequate reserves are maintained to mitigate the risk. Ensure authorities interests are represented through the LGA/other groups. Memberships of business rate pool to retain increased business rates. Prioritise work on receipt of NHB. Ensure Longer Term plans for significant variations are in place.	Likely	Medium
Budgets are overspent	Unplanned use of reserves which may impact on future year Council Tax, adverse external inspection	Not Likely	Major	Robust budget setting, challenging budget provision. Regular monitoring with corrective actions. Develop a culture of financial awareness. Effective project planning and management. Ensure sufficient contingency sums. Review of any material overspends.	Not Likely	Minor
Savings are not achieved	If compensating savings not identified unplanned use of reserves, potential for cuts to services or service levels	Likely	Major	Regular budget monitoring to identify issues at an early stage. Detailed scrutiny and review of all savings proposals prior to approval.	Not Likely	Minor

Changes in demand/usage levels affecting income from fees and charges	Unplanned use of reserves with potential to impact on future Council Tax levels or requiring cuts to services or service levels	Very Likely	Major	Ensure regular monitoring Review trends Take appropriate action Ensure base income budgets are realistic.	Likely	Medium
Business Rate Pool does not generate savings through significant appeals success across the pool area.	NNDR deficit to be carried forward to future years, possibly leading to service reductions elsewhere being required/use of NHB.	Likely	Medium	Significant risk management work undertaken before pool formed reviewing pool membership and rates risk. Prudent assumptions on business rates income taken into revenue forecasts.	Not Likely	Medium
Budget does not reflect corporate priorities	Council fails to achieve Corporate plan with consequent impact on Community Plan. Adverse external inspection.	Not Likely	Major	Ensure corporate involvement in the process. Early consideration of budget pressures and legislation changes. Regular reporting to members. Up to date Service Delivery plans in place linked to corporate plan.	Not Likely	Minor
The capital programme is not affordable	Council may need to remove existing planned schemes from the programme or use reserves earmarked for other purposes. Adverse external inspection.	Likely	Major	Schemes are monitored and reported on a regular basis. Financing profile based on realistic assumptions. Ensure only fully evaluated schemes are included within the programme with sufficient contingency sums.	Not Likely	Medium
Poor budget planning with decisions being made without	Council fails to meet community needs, adverse	Likely	Major	Develop a long-term financial strategy. Set out a clear budget	Not Likely	Minor

proper consideration/consultation	impact on Corporate and Community Plan. Adverse external inspection			timetable. Regular updates to Members. Effective ongoing consultation processes.		
Council Tax Support scheme –above expected demand or collection rates not achieved	Collection fund into deficit which may require savings/cuts in future years. Impact on other major preceptors	Likely	Major	Proper assessment of likely take up based on historic trends, comparison with other authorities, in year monitoring of spend and collection. Regular reporting to members and s(151). Annual approval of the scheme.	Not Likely	Major
Decision on Pension fund contribution rates create future significant cost pressure	Additional savings/cuts to services required in future years	Likely	Major	Market interest rates and investment returns are expected to improve. Monitor interim valuations and make provision in financial forecasts.	Likely	Medium

## **10. PAY POLICY 2016/17**

The Localism Act 2011 requires that the authority produce a policy statement that covers a number of matters concerning the pay of the authority's staff, principally Chief Officers. The Pay Policy for 2016/17 is incorporated within this Financial Strategy at Appendix F.

## **11. CONCLUSION**

This Financial Strategy sets out a range of proposals regarding the future management of resources and delivery of priorities.

The Strategy is underpinned by nine key Objectives, which are set out within section 2.

The process of developing the Financial Strategy is ongoing. Although there is a considerable amount of work to be done, and further improvements to be made, the Council has put in place the framework for ensuring a strong financial base that delivers priorities. This strong financial base has been previously commented upon within External Audit reports, with the Council receiving high scores for its financial management and reporting.

As far as possible, the plan anticipates future needs and recognises the financial uncertainties, risks and challenges faced by the Council. The Council has in place rigorous financial monitoring and aims to ensure it holds balances and reserves that are considered adequate without being excessive.

Consequently, Ryedale now has in place a sound Financial Strategy and a robust financial plan that is designed to support the delivery of the targets in the Corporate Plan and meet the Council's Objectives.

## APPENDIX A

### 2016/17 Budget Pressures

		£'000
<b>Additional Costs</b>		
- Insurance Premiums	Increased costs	17
- Dry Recycling	Reduced Income from Dry Recycling contract	65
- Pension Contributions	Annual increase	11
- Contributions to outside organisations	LEP and Ecological data centre	26
- Court costs	Reduction in income	21
- Increase in Employers NI Contributions	Statutory increase	109
- Other Growth items		48
<b>Specific Grants</b>		
- 15/16 CT Freeze Grant	Base lined into 2016/17 Revenue Support Grant	39
- IER Grant	Fall out of grant	11
- LCTS New Burden Grant	Cut to grant	10
- 15/16 NHB adjustment grant	Fall out of grant in 2015/16	5
- Benefits Admin Subsidy	Cut to grant	48
<b>Total</b>		<b>410</b>

### 2016/17 Efficiencies/Savings/Additional Income Proposals

Proposal	Savings £'000	Risk L/M/H
- Budget Review Efficiencies	67	L
- Additional Income	20	L
- Reduction in Grant Expenditure	22	L
- District Election	40	L
- Net Salary Savings	435	L
<b>Total of Savings</b>	<b>584</b>	

APPENDIX B

Medium Term Revenue Forecast 2016/17 - 2020/21

	2016/17 Projection £'000	2017/18 Projection £'000	2018/19 Projection £'000	2019/20 Projection £'000	2020/21 Projection £'000	
Base Budget and Inflation						
Base Budget	6,823	6,382	6,135	6,090	6,026	
Pay Increase & General Inflation	126	150	150	150	150	
	6,949	6,532	6,285	6,240	6,176	
Add Future Cost Increases						
Budget Pressures	409	340	150	150	150	
Capital Programme Borrowing	0	0	0	0	0	
Deduct Future Savings:						
Efficiencies/Service Cuts/Additional Income	-584	-613	-239	-258	-249	
NHB Applied to Revenue (Additional)	-251	-18	0	0	0	
Increase in Rural Service Delivery Grant	-141	-106	-106	-106	-106	
Net Revenue Budget	6,382	6,135	6,090	6,026	5,971	
<b>Financing</b>						
RSG	763	379	143	-120	-380	
Business Rates	1,775	1,810	1,846	1,883	1,921	
Collection Fund Surplus	69	25	25	25	25	
Council Taxpayers	3,703	3,851	3,999	4,157	4,322	
CT Base Growth	72	70	77	80	83	
Budget Requirement	6,382	6,135	6,090	6,026	5,971	
NHB Earned	1,676	1,685	1,059	1,016	1,016	
Applied to Revenue cumulative	810	828	828	828	828	
Applied to Capital	188	188	188	188	188	
To be allocated	678	669	43	0	0	1,390

**Prudential Indicators****Capital Expenditure**

The actual capital expenditure that was incurred in 2014/15 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Programme	1.331	2.206	1.295	0.749	0.695

**Ratio of Financing Costs to Net Revenue Stream**

Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/15 are:

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non HRA	1.47%	3.05%	3.85%	3.04%	2.51%

**Capital Financing Requirement**

Estimates of the Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2015 are:

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total CFR	1.526	2.336	2.747	2.523	2.292

The Capital Financing Requirement (CFR) measures the authority's underlying need to borrow for a capital purpose.

CIPFA's Prudential Code for Capital Finance in Local Authorities' includes the following as a key indicator of prudence:

*"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years."*

The Finance Manager (s151) reports that the authority had no difficulty meeting this requirement in 2014/15, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### **Authorised Limit for External Debt**

In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Finance Manager (s151), within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its next meeting following the change.

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Borrowing	10,000	10,000	10,000	10,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000
Authorised Limit	11,000	11,000	11,000	11,000

The Finance Manager (s151) reports that these authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Finance Manager (s151) confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

## **Operational Boundary for external debt**

The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Finance Manager's (s151) estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Finance Manager (s151). Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to the Finance Manager (s151); within the total operational boundary for any individual year; to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	700	800	600	400
Operational Boundary	5,700	5,800	5,600	5,400

The Council's actual external debt at 31 March 2015 was £1.75m. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2016/17 (see above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

## **Estimate of Incremental Impact of Capital Investment**

The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:

For the Band D Council Tax	2016/17 £0.59	2017/18 £0.94	2018/19 £1.35
----------------------------	------------------	------------------	------------------

These forward estimates are not fixed and do not commit the Council.

## Consideration of options for the capital programme

In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax
- prudence and sustainability, e.g. implications for external borrowing
- value for money, e.g. option appraisal
- stewardship of assets, e.g. asset management planning
- service objectives, e.g. strategic planning for the authority
- practicality, e.g. achievability of the forward plan.

A key measure of affordability is the incremental impact on the Council Tax, and the Council could consider different options for its capital investment programme in relation to their differential impact on the Council Tax.

APPENDIX D

**Key Reserves and Balances**

	General Reserve	Capital Fund	Capital Receipts	Capital Grants & Conts	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2015</b>	<b>547</b>	<b>1,413</b>	<b>187</b>	<b>0</b>	<b>2,147</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	680	-	-	680
Interest on Investment of Balances	-	65	-	-	65
Capital Receipts	-	-	443	-	443
Capital Grants & Contributions	-	-	-	245	245
	<b>547</b>	<b>2,158</b>	<b>630</b>	<b>245</b>	<b>3,580</b>
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-823	-443	-245	-1511
<b>Estimated Balance 31 March 2016</b>	<b>547</b>	<b>1,335</b>	<b>187</b>	<b>-</b>	<b>2,069</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	263	-	-	263
Interest on Investment of Balances	-	60	-	-	60
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	<b>547</b>	<b>1,658</b>	<b>217</b>	<b>200</b>	<b>2,622</b>
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-745	-30	-200	-975
<b>Estimated Balance 31 March 2017</b>	<b>547</b>	<b>913</b>	<b>187</b>	<b>-</b>	<b>1,647</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	126	-	-	126
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	<b>547</b>	<b>1,114</b>	<b>217</b>	<b>200</b>	<b>2,078</b>
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-519	-30	-200	-749
<b>Estimated Balance 31 March 2018</b>	<b>547</b>	<b>595</b>	<b>187</b>	<b>-</b>	<b>1,329</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	164	-	-	164
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	<b>547</b>	<b>834</b>	<b>217</b>	<b>200</b>	<b>1,798</b>
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-465	-30	-200	-695
<b>Estimated Balance 31 March 2019</b>	<b>547</b>	<b>369</b>	<b>187</b>	<b>-</b>	<b>1,103</b>

## APPENDIX E

### RYEDALE DISTRICT COUNCIL - PROPOSED CAPITAL PROGRAMME 2015/16 TO 2019/20

Category / Scheme	2015/16 Rev Est £'000	2015/16 Forecast £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	Total Cost £'000	External Funding £'000	Net RDC Cost £'000	Net Cumulative £'000	Comments	External Funding Assumptions		Revenue Implications															
												£'000	Comments	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Comments										
<b>ASSET MANAGEMENT</b>																													
Car Parks Major Repairs	11	11	0	0	0	0	11	0	11	11	In accordance with Asset Mgt Plan. Hth & Safety risk	0		0	0	0	0	0	0	0									
Vehicle Replacement Programme	79	79	50	50	20	20	219	0	219	230	Replacement for recycling, street cleansing and grass cutting services	0		0	0	0	0	0	0										
Public Conveniences Refurbishment	8	8	0	0	0	0	8	0	8	238	Refurbishment of sites	0		0	0	0	0	0	0										
Wall Repairs Land Castlegate Malton	18	18	0	0	0	0	18	0	18	256	Repairs to boundary walls	0		0	0	0	0	0	0										
Ryedale Pool Major Repairs	33	33	0	0	0	0	33	0	33	289	Necessary works over the life of this capital programme	0		0	0	0	0	0	0										
Trade Waste Equipment	15	15	0	0	0	0	15	0	15	304	Replacement of trade waste bulk bins	0		0	0	0	0	0	0										
Property Condition Survey	243	243	125	125	125	110	728	0	728	1,032	Programme of minor capital works to property portfolio	0		0	0	0	0	0	0										
IT Infrastructure Strategy	234	234	57	24	0	0	315	0	315	1,347	Essential upgrade of IT Infrastructure	0		0	0	0	0	0	0										
Replacement of Garage Inspection pit	50	50	0	0	0	0	50	0	50	1,397	Essential upgrade to accommodate new style of vehicle	0		0	0	0	0	0	0										
	<b>691</b>	<b>691</b>	<b>232</b>	<b>199</b>	<b>145</b>	<b>130</b>	<b>1,397</b>	<b>0</b>	<b>1,397</b>			<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>										
<b>PRIORITY AIMS - HOUSING</b>																													
Aff Hsg Init - Exception Sites Land Purchase	100	100	0	0	0	0	100	0	100	1,497	Contribution to RSL land acquisitions	0		0	0	0	0	0	0										
Aff Hsg Init - Property Improvement Loans	145	145	95	95	95	75	505	0	505	2,002	Recoverable Loans to ensure properties are to the decent home standard	0		0	0	0	0	0	0										
Aff Hsg Init - Landlord Improvement Loans/Grants	130	130	80	80	80	60	430	0	430	2,432	Recoverable Loans or Grants to Landlords	0		0	0	0	0	0	0										
Private Sector Energy Efficiency Grants	71	71	50	50	50	40	261	0	261	2,693	Provide insulation improvements	0		0	0	0	0	0	0										
Private Sector Renewal - Disabled Facilities Grants	437	437	325	325	325	290	1,702	1,045	657	3,350	Improve access to and within properties for people	1,045	DCLG	0	0	0	0	0	0										
Mortgage Rescue Scheme	21	21	0	0	0	0	21	0	21	3,371	Scheme in partnership with Registered Social Landlord	0		0	0	0	0	0	0										
	<b>904</b>	<b>904</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>465</b>	<b>3,019</b>	<b>1,045</b>	<b>1,974</b>			<b>1,045</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>										
<b>PRIORITY AIMS - JOBS</b>																													
Expansion of Derwent Training	30	30	0	0	0	0	30	0	30	3,401	Provision for contribution to external scheme	0		0	0	0	0	0	0										
	<b>30</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>30</b>			<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>										
<b>MAJOR SCHEMES</b>																													
764 Brambling Fields Junction Upgrade	82	199	0	0	0	0	199	317	-118	3,283	Contribute to upgrade for improvement to traffic management in Malton	317	Developer Contributions	122	117	117	117	117											
	<b>82</b>	<b>199</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>199</b>	<b>317</b>	<b>-118</b>			<b>317</b>		<b>122</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>											
<b>OTHER SCHEMES</b>																													
Helmsley CPO	0	0	513	0	0	0	513	0	513	3,796																			
Pickering Flood Defence	200	200	0	0	0	0	200	0	200	3,996	Major grant contribution to Environment Agency Scheme	0		0	0	0	0	0	0										
Assembly and Milton Rooms - Preservation Works	182	182	0	0	0	0	182	0	182	4,178	Work required under terms of lease to prevent further deterioration of building	0		0	0	0	0	0	0										
	<b>382</b>	<b>382</b>	<b>513</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>895</b>	<b>0</b>	<b>895</b>			<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>										
<b>TOTAL OF PROPOSED CAPITAL PROGRAMME</b>	<b>2,089</b>	<b>2,206</b>	<b>1,295</b>	<b>749</b>	<b>695</b>	<b>595</b>	<b>5,540</b>	<b>1,362</b>	<b>4,178</b>			<b>TOTAL</b>	<b>1,362</b>	<b>TOTAL</b>	<b>122</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>										

CAPITAL RESOURCES AVAILABLE FOR NEW SCHEMES

£238k

### CAPITAL PROGRAMME 2015/16 TO 2019/20 - SUMMARY OF FUNDING

Source of Funding	2015/16 Rev Est Funding £'000	2015/16 Forecast Funding £'000	2016/17 Estimate Funding £'000	2017/18 Estimate Funding £'000	2018/19 Estimate Funding £'000	2019/20 Estimate Funding £'000	Total Estimate Funding £'000	Scheme
<b>External Grants and Contributions</b>								
Department Communities & Local Government (DCLG)	245	245	200	200	200	200	1,045	Private Sector Renewal - Disabled Facilities Grant A64 Brambling Fields
Developers Contributions	200	317	0	0	0	0	317	
<b>Total External Grants and Contributions</b>	<b>445</b>	<b>562</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,362</b>	
<b>Ryedale DC Funding of Schemes</b>	<b>1,644</b>	<b>1,644</b>	<b>1,095</b>	<b>549</b>	<b>495</b>	<b>395</b>	<b>4,178</b>	
<b>TOTAL FUNDING OF CAPITAL PROGRAMME</b>	<b>2,089</b>	<b>2,206</b>	<b>1,295</b>	<b>749</b>	<b>695</b>	<b>595</b>	<b>5,540</b>	

#### CAPITAL INVESTMENT PLAN - RESERVE LIST

	Estimated Year	Max Cost £'000	Net Cost RDC £'000	
Targeted A64 Improvements	2018-2021	50,000	3,300	
Livesick Market Relocation	2016/17	2,500	500	Proposed Loan Arrangement
Malton & Norton Transport Improvements Package	2016-2019	1,900	650	Possible funding from Community Infrastructure Levy (£500k)
Milton Rooms Redevelopment	2017	4,500	1,000	
Redevelopment of Malton Public Transport Interchange	2017-2019	1,000	200	Possible funding from Community Infrastructure Levy (£200k)
High speed broadband to Ryedale Business Parks	2016/17	200	n/k	
Replacement of Derwent Pool	2018+	4,000	2,000	
Flood prevention/alleviation Schemes	2016-17	2,600		

**PAY POLICY STATEMENT 2016 - 2017**RYEDA  
LE  
DISTRICT  
COUNCIL**CONTENTS**


---

<b>1</b>	<b>INTRODUCTION</b>	<b>35</b>
<b>2</b>	<b>DEFINITION OF OFFICERS COVERED BY THE POLICY STATEMENT</b>	<b>35</b>
<b>3</b>	<b>POLICY ON REMUNERATING CHIEF OFFICERS</b>	<b>35</b>
<b>4</b>	<b>POLICY ON REMUNERATING THE LOWEST PAID IN THE WORKFORCE</b>	<b>36</b>
<b>5</b>	<b>POLICY ON THE RELATIONSHIP BETWEEN CHIEF OFFICER REMUNERATION AND THAT OF OTHER STAFF</b>	<b>36</b>
<b>6</b>	<b>POLICY ON OTHER ASPECTS OF CHIEF OFFICER REMUNERATION</b>	<b>36</b>
<b>7</b>	<b>APPROVAL OF SALARY PACKAGES IN EXCESS OF £100K</b>	<b>36</b>
<b>8</b>	<b>FLEXIBILITY TO ADDRESS RECRUITMENT ISSUES FOR VACANT POSTS</b>	<b>36</b>
<b>9</b>	<b>AMENDMENTS TO THE POLICY</b>	<b>37</b>
<b>10</b>	<b>POLICY FOR FUTURE YEARS</b>	<b>37</b>
<b>11</b>	<b>ANNEX A</b>	<b>38</b>
<b>12</b>	<b>ANNEX B</b>	<b>389</b>
<b>13</b>	<b>ANNEX C</b>	<b>41</b>

## **1. INTRODUCTION**

In accordance with Sections 38 – 43 of the Localism Act 2011 the authority is required to produce a policy statement that covers a number of matters concerning the pay of the authority's staff, principally Chief Officers. This policy statement sets out the arrangements and meets the requirements of the Localism Act. It also complies with the guidance issued by the Secretary of State for Communities and Local Government to which the authority is required to have regard under Section 40 of the Act. This policy also correlates with the data on pay and reward for staff which the authority publishes under the Code of Recommended Practice for Local Authorities on Data Transparency and the data which is published under The Accounts and Audit (England) Regulations (2011). It should be noted that the requirements to publish data under the Secretary of State guidance, the Code of Practice and the Regulations do differ, the data requirements of the Code of Practice and the Accounts and Audit Regulations are summarised at Annex A to this policy statement.

## **2. DEFINITION OF OFFICERS COVERED BY THE POLICY STATEMENT**

This policy statement covers the following posts:

1. Head of the Paid Service, which in this authority is the post of Chief Executive
2. Chief Financial Officer (s151)
3. Monitoring Officer
4. Non-statutory Chief Officers, (those who report directly to the Head of the Paid Service) which in this authority are the posts of:
  - Corporate Director
  - Head of Economy
  - Head of Corporate Services
5. Deputy Chief Officers (those who report directly to a statutory Chief Officer) which in this authority are the posts of:
  - Head of Planning and Housing
  - Head of Environment, Streetscene and Facilities

## **3. POLICY ON REMUNERATING CHIEF OFFICERS**

The authority's policy on remunerating Chief Officers is set out on the schedule that is attached to this policy statement at Annex B. The Chief Executive's and Corporate Director's remuneration packages are set by Elected Members. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skill level, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time. The Chief Executive and the Corporate Director are the only employees appointed by Elected Members.

#### **4. POLICY ON REMUNERATING THE LOWEST PAID IN THE WORKFORCE**

The Council applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of Council decisions. These are then incorporated into contracts of employment. The lowest pay point in this authority is Scale 1 point 6 which equates to an annual salary of £13,614 (i.e. £7.0565 per hour). This Council adopted the payment of a 'Living Wage' of £7.85 per hour with effect from 1 November 2015, which is paid as a supplement to the nationally agreed rate for all employees on spinal column points 6 to 10 inclusive.

#### **5. POLICY ON THE RELATIONSHIP BETWEEN CHIEF OFFICER REMUNERATION AND THAT OF OTHER STAFF**

The highest paid salary in this authority is £104,460 (2014/2015 £104,460) which is paid to the Chief Executive.

The average median salary in this authority is £19,742. The ratio between the two salaries, the 'pay multiple' is 5.29:1.

This authority does not have a policy on maintaining or reaching a specific 'pay multiple', however the authority is conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the authority as expressed in this policy statement. The authority's approach to the payment of other staff is to pay that which the authority needs to pay to recruit and retain staff with the skills, knowledge, experience, abilities and qualities needed for the post in question at the relevant time, and to ensure that the authority meets any contractual requirements for staff including the application of any local or national collective agreements, or authority decisions regarding pay.

#### **6 POLICY ON OTHER ASPECTS OF CHIEF OFFICER REMUNERATION**

Other aspects of Chief Officer remuneration are covered by this policy statement. These other aspects are defined as these other aspects are defined as recruitment, pay increases, additions to pay, performance related pay, earn back, termination payments, transparency and re-employment when in receipt of an LGPS pension or a redundancy/severance payment. These matters are addressed in the schedule that is attached to this policy statement at Annex C.

#### **7 APPROVAL OF SALARY PACKAGES IN EXCESS OF £100K**

The authority will ensure that, prior to an offer being made, any salary package for any post that is in excess of £100k will be considered by Full Council. The salary package will be defined as base salary, fees, routinely payable allowances and benefits in kind that are due under the contract.

#### **8 FLEXIBILITY TO ADDRESS RECRUITMENT ISSUES FOR VACANT POSTS**

In the vast majority of circumstances the provisions of this policy will enable the authority to ensure that it can recruit effectively to any vacant post. There may be exceptional circumstances when there are recruitment difficulties for a particular post and where there is evidence that an element or elements of the remuneration package are not sufficient to secure an effective appointment. This policy statement recognises that this situation may arise in exceptional circumstances and therefore a

departure from this policy can be implemented except for the appointment of the Chief Executive or Corporate Director.

## **9 AMENDMENTS TO THE POLICY**

It is anticipated that this policy will not need to be amended during the period it covers (1 April 2016 to 31 March 2017), however if circumstances dictate that a change of policy is considered to be appropriate during the year then a revised draft policy will be presented to Full Council for consideration.

## **10 POLICY FOR FUTURE YEARS**

This policy statement will be reviewed each year and will be presented to Full Council each year for consideration in order to ensure that a policy is in place for the authority prior to the start of each financial year.

The Secretary of State for CLG Code of Recommended Practice for Local Authorities on Data Transparency indicates that local authorities should publish the following data concerning staff:

- Salaries, names (with an option for individuals to refuse to consent to this), job descriptions, responsibilities, budgets (including overall salary cost of staff reporting), and numbers of staff for all staff in receipt of a salary of more than £58,200
- An organisational chart of the staff structure of the authority including salary bands and details of currently vacant posts
- The 'pay multiple' – the ratio between the highest paid salary and the median average salary of the whole authority workforce

The Accounts and Audit (England) Regulations (2011) require that the following data is included in the authority's accounts:

- Numbers of employees with a salary above £50k per annum (pro-rata for part time staff) in multiples of £5k
- Job title, remuneration and employer pension contributions for senior officers. Senior officers are defined as Head of Paid Service, Statutory Chief Officers and Non-Statutory Chief Officers by reference to Section 2 of the 1989 Local Government & Housing Act
- Names of employees paid over £150k per annum

For the above remuneration is to include:

- Salary, fees or allowances for the current and previous year
- Bonuses paid or receivable for the current and previous year
- Expenses paid in the previous year
- Compensation for loss of employment paid to or receivable, or payments made in connection with loss of employment
- Total estimated value of non-cash benefits that are emoluments of the person

For the above pension contributions to include:

- The amount driven by the authority's set employer contribution rate
- Employer costs incurred relating to any increased membership or award of additional pension.

## ANNEX B

<b>Aspect of Chief Officer Remuneration</b>	<b>RDC Policy</b>
Recruitment	The post will be advertised and appointed to at the appropriate approved salary for the post in question unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package is appropriate under the Council's policy and any variation will be approved through the appropriate decision making process.
Pay Increases	The Council will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The Council will also apply any pay increases that are as a result of authority decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts subject to approval by the appropriate decision making process.
Additions To Pay	The Council would not make additional payments beyond those specified in the contract of employment.
Performance Related Pay	The Council does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed in accordance with Council Policy.
Earn-Back ( Withholding an element of base pay related to performance)	The authority does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
Termination Payments	The Council applies its normal redundancy payment arrangements to senior officers and does not have separate provisions for senior officers. The Council also applies the appropriate Pensions regulations when they apply. The Council has agreed policies in place on how it will apply any discretionary powers it has under Pensions regulations. Any costs that are incurred regarding senior officers are published in the Council's accounts as required under the Accounts and Audit (England) Regulations 2011.
Transparency	The Council meets its requirements under the Localism Act, the Code of Practice on Data Transparency and the Accounts and Audit Regulations in order to ensure that it is open and transparent regarding senior officer remuneration.

Re-employment of staff in receipt of an LGPS Pension or a redundancy/severance payment	The Council is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. The Council will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post.
--	---

**ANNEX C**

<b>Post</b>	<b>Base Salary</b>	<b>Expenses</b>	<b>Bonuses</b>	<b>PRP</b>	<b>Earn-Back</b>	<b>Honoraria</b>	<b>Ex-Gratia Payments</b>	<b>Election Fees</b>	<b>Joint Authority Duties</b>	<b>Severance Arrangements</b>
Chief Executive	£104,460	Paid through normal authority procedures	None	None	None	None	None	Election duty fees are paid in accordance with normal authority and national procedures	None	The authority's normal policies regarding redundancy and early retirement apply to the post holder. No payments were made in the last year and none are anticipated for 2016/17.
Corporate Director	£71,400	Paid through normal authority procedures	None	None	None	None	None	Election duty fees are paid in accordance with normal authority procedures	None	The authority's normal policies regarding redundancy and early retirement apply to the post holder. No payments were made in the last year and none are anticipated for 2016/17.

Page 92

Post	Base Salary	Expenses	Bonuses	PRP	Earn-Back	Honoraria	Ex-Gratia Payments	Election Fees	Joint Authority Duties	Severance Arrangements
Head of Planning and Housing	£56,316	Paid through normal authority procedures	None	None	None	Paid through normal authority procedures, none planned.	Paid through normal authority procedures, none planned.	Election duty fees paid in accordance with normal authority and national procedures	None	The authority's normal policies regarding redundancy and early retirement apply to the post holder. No payments are anticipated for 2016/2017
Head of Corporate Services	£56,316									
Head of Economy & LEP	£56,316									
Head of Environment, Streetscene and Facilities.	£50,263									
Council Solicitor/Monitoring Officer	£56,316									
Finance Manager (s151)	£43,853					£3,000				

# **REVENUE BUDGET**

**2016-17**

**COUNCILLOR LINDA COWLING**  
Chairman of the Policy & Resources Committee

**P C JOHNSON**  
Finance Manager (s151)

# REVENUE BUDGET 2016-17

## CONTENTS

	<b>Page Nos</b>
<b>Revenue Budget</b>	
General Fund Summary	45 - 46
Detail of Net Expenditure	47 - 51
Budget Variations	52 - 55
Holding Accounts - Service Units	56 - 58
<b>Parish &amp; Town Councils</b>	
Precept Requirements	59 - 62

# **GENERAL FUND SUMMARY**

**GENERAL FUND SUMMARY**

<b>2014/15 Actual £</b>	<b>2015/16 Original Estimate £</b>	<b>2015/16 Revised Estimate £</b>	<b>Service</b>	<b>2016/17 Original Estimate £</b>
			<b>CENTRAL SERVICES</b>	
832,015	988,870	973,870	Central Services to the Public	844,110
1,207,435	1,214,730	1,214,730	Corporate & Democratic Core	1,207,270
-201,450	11,900	11,900	Non Distributed Costs	8,410
-2,344,740	-1,487,480	-1,600,480	Other Operating Income & Expenditure	-1,026,767
<b>-506,740</b>	<b>728,020</b>	<b>600,020</b>	<b>Total</b>	<b>1,033,023</b>
1,250,809	1,297,750	1,297,750	<b>CULTURAL &amp; RELATED SERVICES</b>	1,015,090
2,907,328	2,450,890	2,535,890	<b>ENVIRONMENTAL &amp; REGULATORY SERVICES</b>	2,401,890
1,148,691	1,223,890	1,343,890	<b>PLANNING SERVICES</b>	1,113,270
-424,501	-503,450	-503,450	<b>HIGHWAYS &amp; TRANSPORT SERVICES</b>	-538,440
1,398,612	1,155,410	1,155,410	<b>HOUSING SERVICES</b>	1,067,150
<b>5,774,199</b>	<b>6,352,510</b>	<b>6,429,510</b>		<b>6,091,983</b>
1,451,063	470,750	393,750	<b>CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES</b>	289,626
<b>7,225,262</b>	<b>6,823,260</b>	<b>6,823,260</b>	<b>TOTAL NET EXPENDITURE</b>	<b>6,381,609</b>

**NOTES**

The preparation of this budget is in compliance with the Service Reporting Code of Practice and it is presented using the mandatory division of service headings stipulated in the Code.

A further subdivision of the expenditure is analysed under discretionary headings and is shown on pages 48 to 51.

**DETAIL OF  
NET EXPENDITURE**

**DETAIL OF NET EXPENDITURE**

<b>2014/15 Actual</b>	<b>2015/16 Original Estimate</b>	<b>2015/16 Revised Estimate</b>	<b>Division / Subdivision of Service</b>	<b>2016/17 Original Estimate</b>	<b>Line Ref</b>
<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>	
			<b>CENTRAL SERVICES TO THE PUBLIC</b>		
139,254	134,210	134,210	<b>General Grants, Bequests &amp; Donations</b>	133,740	1
36,987	48,480	48,480	<b>Emergency Planning</b>	49,590	2
			<b>Local Tax Collection</b>		
190,761	192,560	192,560	Local Council Tax Support Scheme	185,270	3
-25,552	-	-	Council Tax Benefits	-	4
303,535	315,950	315,950	Council Tax Collection	290,810	5
-1,441	13,000	13,000	Non-Domestic Rates Collection	-19,220	6
<b>467,303</b>	<b>521,510</b>	<b>521,510</b>	<b>Sub Total</b>	<b>456,860</b>	
			<b>Elections</b>		
94,690	171,620	171,620	Conducting Elections	72,690	7
120,298	126,240	126,240	Registration of Electors	126,790	8
<b>214,988</b>	<b>297,860</b>	<b>297,860</b>	<b>Sub Total</b>	<b>199,480</b>	
-26,517	-13,190	-28,190	<b>Local Land Charges</b>	4,440	9
<b>832,015</b>	<b>988,870</b>	<b>973,870</b>	<b>Total Central Services to the Public</b>	<b>844,110</b>	
			<b>CORPORATE &amp; DEMOCRATIC CORE</b>		
545,299	550,170	550,170	<b>Corporate Management</b>	561,580	10
662,136	664,560	664,560	<b>Democratic Representation &amp; Management</b>	645,690	11
<b>1,207,435</b>	<b>1,214,730</b>	<b>1,214,730</b>	<b>Total Corporate &amp; Democratic Core</b>	<b>1,207,270</b>	
			<b>NON DISTRIBUTED COSTS</b>		
			<b>Non Distributed Costs</b>		
-33,076	-	-	Retirement Benefits	-	12
-168,374	11,900	11,900	Costs of Unused Shares of Assets	8,410	13
<b>-201,450</b>	<b>11,900</b>	<b>11,900</b>	<b>Sub Total</b>	<b>8,410</b>	
<b>-201,450</b>	<b>11,900</b>	<b>11,900</b>	<b>Total Non Distributed Costs</b>	<b>8,410</b>	
			<b>OTHER OPERATING INCOME &amp; EXPENDITURE</b>		
31,920	103,540	65,540	<b>External Interest Payable</b>	101,260	14
			<b>Interest &amp; Investment Income</b>		
-70,835	-59,000	-79,000	Interest & Investment Income	-65,000	15
349,230	-26,750	-21,750	Investment Property	-18,480	16
<b>278,395</b>	<b>-85,750</b>	<b>-100,750</b>	<b>Sub Total</b>	<b>-83,480</b>	
678,000	1,120,000	1,120,000	<b>Pensions Interest Cost &amp; Expected Return on Assets</b>	680,000	17
4,436,000	-	-	<b>Pensions Actuarial Gains &amp; Losses</b>	-	18
-957,410	-	-	<b>Surplus or Deficit on Revaluation of PP&amp;E Assets</b>	-	19
			<b>Other Corporate Costs &amp; Operating Expenditure</b>		
19,365	94,610	34,610	General Financial Provisions	72,353	20
-19,906	-	-	Capital Receipts Unattached to Non Current Assets	-	21
<b>-541</b>	<b>94,610</b>	<b>34,610</b>	<b>Sub Total</b>	<b>72,353</b>	
-1,278,373	-1,443,910	-1,443,910	<b>Non Ringfenced Government Grants</b>	-1,820,190	22
-5,532,731	-1,275,970	-1,275,970	<b>Adjs between Accounting &amp; Funding under Regulations</b>	23,290	23
<b>-2,344,740</b>	<b>-1,487,480</b>	<b>-1,600,480</b>	<b>Total Other Operating Income &amp; Expenditure</b>	<b>-1,026,767</b>	

**DETAIL OF NET EXPENDITURE (CONTINUED)**

<b>2014/15 Actual £</b>	<b>2015/16 Original Estimate £</b>	<b>2015/16 Revised Estimate £</b>	<b>Division / Subdivision of Service</b>	<b>2016/17 Original Estimate £</b>	<b>Line Ref</b>
			<b>CULTURAL &amp; RELATED SERVICES</b>		
			<b>Culture &amp; Heritage</b>		
39,210	48,440	48,440	Museums & Galleries	45,230	24
73,783	73,720	73,720	Arts Development & Support	72,930	25
112,993	122,160	122,160	<b>Sub Total</b>	118,160	
			<b>Open Spaces</b>		
183,668	112,280	112,280	Community Parks & Open Spaces	101,390	26
			<b>Recreation &amp; Sport</b>		
25,188	243,390	243,390	Community Centres & Public Halls	26,860	27
653,373	631,110	631,110	Indoor Sports & Recreation Facilities	639,270	28
8,251	8,760	8,760	Outdoor Sports & Recreation Facilities	8,960	29
53,532	10,210	10,210	Sports Development & Community Recreation	8,560	30
740,344	893,470	893,470	<b>Sub Total</b>	683,650	
			<b>Tourism</b>		
130,941	127,750	127,750	Tourism Policy, Marketing & Development	111,890	31
82,863	42,090	42,090	Visitors Centres	-	32
213,804	169,840	169,840	<b>Sub Total</b>	111,890	
<b>1,250,809</b>	<b>1,297,750</b>	<b>1,297,750</b>	<b>Total Cultural &amp; Related Services</b>	<b>1,015,090</b>	
			<b>ENVIRONMENTAL &amp; REGULATORY SERVICES</b>		
			<b>Cemetery, Cremation &amp; Mortuary Services</b>		
1,128	31,830	31,830	Closed Churchyards	32,780	33
17,783	-	-	<b>Community Safety (CCTV)</b>	-	34
48,235	60,570	60,570	<b>Community Safety (Crime Reduction)</b>	57,030	35
			<b>Flood Defence &amp; Land Drainage</b>		
364,154	16,510	16,510	Defences Against Flooding	16,220	36
86,540	89,600	89,600	Land Drainage & Related Work	95,630	37
450,694	106,110	106,110	<b>Sub Total</b>	111,850	
			<b>Recycling</b>		
662,042	556,670	621,670	Recycling Collection	580,470	38
			<b>Regulatory Services</b>		
444	16,850	16,850	Alcohol & Entertainment Licensing	19,230	39
119,761	140,950	140,950	Animal & Public Health	140,540	40
91,019	93,580	93,580	Environmental Protection	83,390	41
162,502	138,810	138,810	Food Safety	142,130	42
42,179	41,280	41,280	Health & Safety	42,260	43
10,114	10,420	10,420	Infectious Disease Control	10,660	44
43,556	36,680	36,680	Pest Control	39,090	45
308,136	277,410	277,410	Public Conveniences	259,120	46
-1,924	-770	-770	Taxi Licensing	-1,330	47
44,334	68,110	68,110	Water Safety	40,840	48
50,645	50,000	50,000	Noise & Nuisance	43,910	49
870,766	873,320	873,320	<b>Sub Total</b>	819,840	
341,443	318,660	318,660	<b>Street Cleansing</b>	326,270	50
			<b>Trade Waste</b>		
-54,978	-49,250	-29,250	Trade Waste Collection	-64,260	51
			<b>Waste Collection</b>		
570,215	552,980	552,980	Household Waste Collection	537,910	52
<b>2,907,328</b>	<b>2,450,890</b>	<b>2,535,890</b>	<b>Total Environmental &amp; Regulatory Services</b>	<b>2,401,890</b>	

**DETAIL OF NET EXPENDITURE (CONTINUED)**

<b>2014/15 Actual</b>	<b>2015/16 Original Estimate</b>	<b>2015/16 Revised Estimate</b>	<b>Division / Subdivision of Service</b>	<b>2016/17 Original Estimate</b>	<b>Line Ref</b>
<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>	
			<b>PLANNING SERVICES</b>		
			<b>Building Control</b>		
-27,692	59,580	59,580	Building Regulations	60,000	53
-3,298	-2,960	-2,960	Other Building Control Work	-3,200	54
-30,990	56,620	56,620	<b>Sub Total</b>	56,800	
			<b>Business Support</b>		
30,167	61,000	61,000	Grants/Loans & Guarantees	12,000	55
1,500	27,000	27,000	Premises Development	25,000	56
-	50,010	50,010	Support to Business & Enterprise	49,450	57
31,667	138,010	138,010	<b>Sub Total</b>	86,450	
86,973	84,760	84,760	<b>Community Development</b>	84,800	58
			<b>Development Control</b>		
212,102	211,030	211,030	Advice	204,320	59
-52,049	-66,300	53,700	Dealing with Applications	-61,630	60
136,568	170,330	170,330	Enforcement	167,610	61
296,621	315,060	435,060	<b>Sub Total</b>	310,300	
			<b>Economic Development</b>		
-36,002	-50,770	-50,770	Market Undertakings	-50,260	62
84,133	31,000	31,000	Training & Employment	-	63
224,393	154,050	154,050	Promotion & Marketing of the Area	181,890	64
272,524	134,280	134,280	<b>Sub Total</b>	131,630	
144,758	152,630	152,630	<b>Environmental Initiatives</b>	108,040	65
			Environmental Initiatives General		
			<b>Planning Policy</b>		
11,643	9,310	9,310	Conservation & Listed Buildings Policy	7,200	66
97,788	84,300	84,300	Local Development Framework	83,900	67
237,707	248,920	248,920	Local Plans General	244,150	68
347,138	342,530	342,530	<b>Sub Total</b>	335,250	
<b>1,148,691</b>	<b>1,223,890</b>	<b>1,343,890</b>	<b>Total Planning Services</b>	<b>1,113,270</b>	
			<b>HIGHWAYS &amp; TRANSPORT SERVICES</b>		
			<b>Parking Services</b>		
-484,793	-559,010	-559,010	Off-Street Parking	-593,690	69
			<b>Public Transport</b>		
60,292	55,560	55,560	Support to Operators	55,250	70
<b>-424,501</b>	<b>-503,450</b>	<b>-503,450</b>	<b>Total Highways &amp; Transport Services</b>	<b>-538,440</b>	

**DETAIL OF NET EXPENDITURE (CONTINUED)**

<b>2014/15 Actual</b>	<b>2015/16 Original Estimate</b>	<b>2015/16 Revised Estimate</b>	<b>Division / Subdivision of Service</b>	<b>2016/17 Original Estimate</b>	<b>Line Ref</b>
<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>	
			<b>HOUSING SERVICES</b>		
23,847	26,370	26,370	<b>Enabling</b>	53,380	71
			<b>Homelessness</b>		
216,418	207,140	207,140	Homelessness Administration	159,330	72
261,217	85,580	85,580	Hostels (Non-RHA Support)	72,580	73
3,434	4,110	4,110	Leased Private Managed Accommodation	4,420	74
481,069	296,830	296,830	<b>Sub Total</b>	236,330	
51,656	55,900	55,900	<b>Housing Advice</b>	75,530	75
203,615	295,320	295,320	<b>Housing Benefits Administration</b>	274,190	76
			<b>Housing Benefits Payments</b>		
7,326	16,000	16,000	Non-HRA Rent Rebates	16,000	77
-29,200	7,000	7,000	Rent Allowances	7,000	78
-21,874	23,000	23,000	<b>Sub Total</b>	23,000	
87,521	102,440	102,440	<b>Housing Strategy</b>	90,380	79
			<b>Other Council Property</b>		
346,340	39,780	39,780	Travellers Sites	12,400	80
10,754	34,820	34,820	<b>Other Welfare Services</b>	19,560	81
			<b>Private Sector Housing Renewal</b>		
215,684	280,950	280,950	Administration of PSHR Grants	282,380	82
<b>1,398,612</b>	<b>1,155,410</b>	<b>1,155,410</b>	<b>Total Housing Services</b>	<b>1,067,150</b>	
<b>1,451,063</b>	<b>470,750</b>	<b>393,750</b>	<b>CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES</b>	<b>289,626</b>	83
<b>7,225,262</b>	<b>6,823,260</b>	<b>6,823,260</b>	<b>NET EXPENDITURE</b>	<b>6,381,609</b>	

# **BUDGET VARIATIONS**

## BUDGET VARIATIONS

PAGE 48-51 LINE REF	DETAIL				NOTES
	<b>Original 2015/2016 to Probable Outturn 2015/2016</b>				
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
	<b>Original Estimate 2015/2016 Net Expenditure</b>			<b>6823</b>	
	Additional Costs:				
38	Reduction in Recycling Income	65			1
51	Reduction in Trade Waste Income	20			2
16	Investment Property	5			
60	Legal Fees/ Other Professional Fees	120			3
20	Cost of redundancy	<u>190</u>			4
			400		
	Cost Reductions, Savings and Additional Income:				
9	Land Charges	-15			
14	Interest on Borrowing/Minimum Revenue Provision	-38			5
20	Net Salary Savings	-250			6
15	Interest on Investments	<u>-20</u>			7
			-323		
	Financial Adjustments:				
	Contribution to / (from) Balances:				
67	Increased Contribution to General Reserve	93			8
67	Increased Contribution to Capital Fund	20			7,8
67	Reduced Contribution from Restructure Reserve	<u>-190</u>			4,8
			-77		
	Net Movement of Expenditure		<u>0</u>		
	<b>Revised Estimate 2015/2016 Net Expenditure</b>			<b><u>6823</u></b>	

## BUDGET VARIATIONS

PAGE 48-51 LINE REF	DETAIL				NOTES
	<b>Original 2015/16 to Original 2016/17</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
	<b>Original Estimate 2015/16 Net Expenditure</b>			<b>6823</b>	
	Inflation:				
	Provision for Pay Increase & General Inflation (net)		126		
	Additional Costs:				
	Budget Pressures:				
See Financial (	Reduced Income	86			9
Strategy (	Reduced Grant	113			9
Appendix A (	Employers NI Contributions	109			9
(	Service Investment	48			9
(	Insurance Premiums	17			9
(	Increased Contributions	<u>37</u>			9
			410		
	Cost Reductions and Savings:				
See Financial (	Net Budget Review Efficiencies	-67			10
Strategy (	Rental Income	-20			10
Appendix A(	District Election	-40			10
(	Reduction in Grant Payments	-22			10
(	Net Salary Savings	<u>-435</u>			10
			-584		
22	Rural Services Delivery Grant		-142		11
	Other Movements in Costs and Savings		-11		8
22	Increase in New Homes Bonus Grant Received		-289		12
	Capital Financing Adjustments:				
All	Capital Charges	-251			13
23	Capital Charges – Recharge	251			13
All	Revenue Exp Funded from Capital Under Statute (net)	-214			13
23	Capital Adjustment Account - REFCUS (net)	214			13
23	Revenue Contributions to Capital Outlay	<u>369</u>			13
			369		
	Financial Adjustments:				
83	Reduced Contribution to Capital Investment	-369			8
83	Reduced Contribution to Capital Fund	-89			8
83	NHB Contribution to Reserves	<u>138</u>			8,12
			-320		
	Net Movement in Expenditure			-441	
	<b>Original Estimate 2016/17 Net Expenditure</b>			<u><u>6382</u></u>	

## BUDGET VARIATION NOTES

1. Income from dry recycling is below budgeted levels in 2015/16. This is mainly due to reduced prices in the recycling market. This position is predicted to continue into 2016/17.
2. Income from Trade Waste is forecast to be below budget in the current year.
3. Expenditure relating to planning consultancy and associated legal costs is forecast to exceed budget, this is mainly as a result of a recent Judicial Review, officers have calculated an estimate of the associated costs.
4. Estimated redundancy costs incurred by the Council as a result of the recent voluntary redundancy process.
5. The delay in borrowing for the capital programme has led to savings in terms of interest payments and mrp contributions in 2015/16.
6. Forecast net salary savings as a result of vacant posts and the impact of the voluntary redundancy process.
7. Estimated increase in Investment Income during the year, used in full to support the capital programme.
8. The heading Contributions to / (from) Earmarked Reserves (line 67) shows movements on the Council's funds and reserves. Details of the movement in the Council's key reserves are shown in Appendix D of the Financial Strategy.
9. New Budget Pressures identified within the 2016/17 budget are highlighted in detail within Appendix A of the Financial Strategy.
10. Further details relating to cost reductions and savings can be found within Appendix A of the Financial Strategy.
11. Rural Services Delivery funding has been disaggregated from revenue support grant and will be awarded as section 31 grant in future
12. Income and expenditure relating to New Homes Bonus is now base lined into the revenue budget and is being used, in part, to fund both the revenue and capital budgets, the remaining balance of funding (£678k) has been transferred into the New Home Bonus Reserve.
13. The capital charges for the write-down of depreciation for fixed assets and the amortisation of intangible assets are notional. A contra entry is included under the heading Adjustments between Accounting and Funding under Regulations (line 23)

# **SERVICE UNITS**

## SERVICE UNITS HOLDING ACCOUNTS

### SUMMARY OF NET EXPENDITURE

Service Units	Employees £	Running Expenses £	Support Services £	Income £	2016/17 Original Estimate £
<b>SUPPORT SERVICE UNITS</b>					
Corporate Management Team & Support	294,730	119,290	21,740	-	435,760
Legal & Democratic Services	308,690	68,450	25,600	-11,840	390,900
ICT Services	214,830	-	-	-	214,830
Business Support	1,412,920	240,630	134,480	-10,950	1,777,080
Finance	314,390	52,680	25,260	-9,160	383,170
Corporate Services	227,390	32,670	21,970	-1,850	280,180
<b>Total</b>	<b>2,772,950</b>	<b>513,720</b>	<b>229,050</b>	<b>-33,800</b>	<b>3,481,920</b>
<b>DIRECT SERVICE UNITS</b>					
Facilities	93,370	81,990	46,380	-	221,740
Economy & Infrastructure	402,870	42,050	46,880	-	491,800
Housing	655,070	83,970	54,260	-	793,300
Development Management	370,830	47,350	51,910	-1,250	468,840
Forward Planning	329,520	40,630	38,620	-	408,770
Streetscene - Admin	571,100	104,690	72,170	-	747,960
Streetscene - Operational	1,324,580	63,860	14,550	-	1,402,990
Environmental Health	469,340	52,300	57,490	-	579,130
<b>Total</b>	<b>4,216,680</b>	<b>516,840</b>	<b>382,260</b>	<b>-1,250</b>	<b>5,114,530</b>
<b>NET EXPENDITURE</b>	<b>6,989,630</b>	<b>1,030,560</b>	<b>611,310</b>	<b>-35,050</b>	<b>8,596,450</b>

### NOTES

These estimates provide for the cost of employees, office equipment and accommodation and other technical and support service costs for all Service Units (SUs). Costs directly associated with Council Services are charged straight to the appropriate service head. SUs are categorised as either those that include a support service role (Support Service Units) or those that provide direct services only (Direct Service Units).

**SERVICE UNITS HOLDING ACCOUNTS**

**SUMMARY OF CHARGES TO SERVICE USERS**

<b>Service Units</b>	<b>General Fund Services</b>	<b>Holding Accounts</b>	<b>Service Units</b>	<b>Other Accounts</b>	<b>2016/17 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>SUPPORT SERVICE UNITS</b>					
Corporate Management Team & Support	323,260	-	112,500	-	435,760
Legal & Democratic Services	146,680	-	244,220	-	390,900
ICT Services	-	186,200	28,630	-	214,830
Business Support	1,472,220	72,460	230,340	2,060	1,777,080
Finance	195,680	14,020	173,470	-	383,170
Corporate Services	61,650	-	218,530	-	280,180
<b>Total</b>	<b>2,199,490</b>	<b>272,680</b>	<b>1,007,690</b>	<b>2,060</b>	<b>3,481,920</b>
<b>DIRECT SERVICE UNITS</b>					
Facilities	156,940	20,160	-	44,640	221,740
Economy & Infrastructure	485,570	-	-	6,230	491,800
Housing	793,300	-	-	-	793,300
Development Management	468,840	-	-	-	468,840
Forward Planning	408,770	-	-	-	408,770
Streetscene - Admin	552,900	195,060	-	-	747,960
Streetscene - Operational	1,295,740	107,250	-	-	1,402,990
Environmental Health	563,980	15,150	-	-	579,130
<b>Total</b>	<b>4,726,040</b>	<b>337,620</b>	<b>0</b>	<b>50,870</b>	<b>5,114,530</b>
<b>NET EXPENDITURE</b>	<b>6,925,530</b>	<b>610,300</b>	<b>1,007,690</b>	<b>52,930</b>	<b>8,596,450</b>

**PARISH & TOWN  
COUNCILS  
PRECEPT REQUIREMENTS**

**PARISH & TOWN COUNCILS PRECEPT REQUIREMENTS 2016/17**

<b>Parish/Town</b>	<b>Number of Band D Equivalents</b>	<b>Precept Requirement £</b>	<b>£ per Band D Equivalent</b>
Acklam	70.37	2,000	28.42
Aislaby, Middleton & Wrelton	310.87	2,400	7.72
Allerston & Wilton	198.27	3,000	15.13
Amotherby	143.68	3,924	27.31
Ampleforth	382.48	16,000	41.83
Appleton-le-Moors	95.60	1,020	10.67
Appleton-le-Street	51.64	-	-
Barton-le-Street	81.38	500	6.14
Barton-le-Willows	89.46	1,050	11.74
Barughs Ambo	90.90	780	8.58
Beadlam	96.65	2,240	23.18
Birdsall	73.95	300	4.06
Bransdale	28.71	-	-
Brawby	66.08	-	-
Broughton	80.82	1,500	18.56
Bulmer	95.15	1,734	18.22
Burythorpe	107.87	1,800	16.69
Buttercrambe	41.42	-	-
Byland with Wass & Oldstead	120.79	810	6.71
Cawton, Coulton & Grimstone	102.30	650	6.35
Claxton & Sand Hutton	205.93	4,789	23.26
Cold Kirby	52.35	-	-
Coneysthorpe	42.86	-	-
Cropton	118.14	800	6.77
Ebberston & Yedingham	258.32	5,425	21.00
Edstone	66.01	-	-
Fadmoor	58.05	-	-
Farndale East	51.32	340	6.63
Farndale West	53.57	620	11.57
Flaxton	144.85	2,868	19.80
Foston & Thornton-le-Clay	127.76	2,500	19.57
Foxholes with Butterwick	92.85	3,170	34.14
Ganton with Potter Brompton	85.98	2,000	23.26
Gate Helmsley & Upper Helmsley	139.81	1,900	13.59
Gillamoor	68.47	420	6.13
Gilling East	103.51	1,550	14.97
Habton	130.58	550	4.21
Harome	125.90	5,000	39.71
Hartoft	36.64	-	-
Harton	40.98	-	-
Hawnby	93.41	880	9.42
Helmsley	726.35	77,000	106.01

**PARISH & TOWN COUNCILS PRECEPT REQUIREMENTS 2016/17 (CONTINUED)**

<b>Parish/Town</b>	<b>Number of Band D Equivalents</b>	<b>Precept Requirement £</b>	<b>£ per Band D Equivalent</b>
Henderskelfe	26.06	-	-
Heslerton	146.71	3,171	21.61
Hovingham & Scackleton	250.06	6,017	24.06
Howsham	60.35	-	-
Hutton-le-Hole	102.57	4,906	47.83
Huttons Ambo	128.10	2,750	21.47
Kirbygrindalythe	117.69	1,300	11.05
Kirby Misperton	127.74	1,550	12.13
Kirkbymoorside	1,148.44	73,500	64.00
Langton	40.40	-	-
Lastingham	71.62	1,770	24.71
Leavening	137.09	1,600	11.67
Levisham	52.44	-	-
Lillings Ambo	78.39	220	2.81
Lockton	130.74	3,055	23.37
Luttons	161.21	3,355	20.81
Malton	1,885.62	116,750	61.92
Marishes	59.05	-	-
Marton	98.83	420	4.25
Nawton	272.12	5,393	19.82
Newton-on-Rawcliffe & Stape	129.98	2,100	16.16
Normanby	70.46	1,800	25.55
Norton	2,487.83	135,000	54.26
Nunnington	125.77	2,150	17.09
Old Byland & Scawton	72.96	-	-
Oswaldkirk	119.22	2,040	17.11
Pickering	2,669.63	168,000	62.93
Pockley	45.61	-	-
Rievaulx	41.74	-	-
Rillington	381.14	12,300	32.27
Rosedale East & West	193.75	5,250	27.10
Salton	35.46	-	-
Scagglethorpe	91.51	1,616	17.66
Scampston with East & West Knapton	122.09	2,250	18.43
Scrayingham with Leppington	82.97	1,300	15.67
Settrington	133.69	3,650	27.30
Sherburn	261.85	20,000	76.38
Sheriff Hutton with Cornborough	450.80	15,810	35.07
Sinnington	142.21	1,500	10.55

**PARISH & TOWN COUNCILS PRECEPT REQUIREMENTS 2016/17 (CONTINUED)**

<b>Parish/Town</b>	<b>Number of Band D Equivalents</b>	<b>Precept Requirement £</b>	<b>£ per Band D Equivalent</b>
Slingsby	238.85	6,433	26.93
Southolme & Fryton	37.73	673	17.84
Spaunton	35.08	-	-
Sproxton	59.33	178	3.00
Stonegrave	50.81	-	-
Swinton	208.01	3,600	17.31
Terrington	244.97	3,085	12.59
Thixendale	80.32	1,000	12.45
Thornton-le-Dale	812.42	25,000	30.77
Thorpe Bassett	46.39	200	4.31
Warthill	111.11	1,250	11.25
Weaverthorpe	112.45	3,500	31.12
Welburn (Kirkbymoorside)	31.98	-	-
Welburn (Malton)	214.63	4,000	18.64
Westow	145.51	2,300	15.81
Wharram	43.23	-	-
Whitwell-on-the-Hill & Crambe	104.64	500	4.78
Willerby & Staxton	232.27	5,610	24.15
Wintringham	78.65	2,250	28.61
Wombledon	148.95	4,300	28.87
Council Tax Base	20,943.26		
Aggregate of Parish Requirements		813,922	

This page is intentionally left blank



---

<b>PART B:</b>	<b>RECOMMENDATIONS TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>4 FEBRUARY 2016</b>
<b>REPORT OF THE:</b>	<b>FINANCE MANAGER (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>FINANCIAL STRATEGY 2016/2017</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report sets out the budget for 2016/17, a proposed Council Tax level, the Financial Strategy, details of balances and reserves, the indicators under the Prudential Code for capital finance as required by the Local Government Act 2003 and the Pay Policy for 2016/2017.
- 1.2 Members should note that this report is prepared on the basis of the provisional Local Government Finance Settlement. Further updates will be provided to the meeting.

### **2.0 RECOMMENDATIONS**

- 2.1 That Council is recommended:
- (i) To approve the Council's Financial Strategy (Annex A) which includes:
    - a. Savings/additional income totalling £584k (Financial Strategy Appendix A)
    - b. Growth Pressures totalling £410k (Financial Strategy Appendix A)
    - c. The Prudential Indicators (Financial Strategy Appendix B)
    - d. The revised capital programme (Financial Strategy Appendix D)
    - e. The Pay Policy 2016/2017 (Financial Strategy Appendix E)
  - (ii) a Revenue Budget for 2016/2017 of £6,308,083 which represents a nil increase in the Ryedale District Council Tax, retaining the total charge at £176.72 for a Band D property (note that total Council Tax, Including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council);
  - (iii) to approve the special expenses amounting to £35,100;
  - (iv) to note the financial projection for 2016/17 – 2020/21 (Annex B).

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year 2016/2017 and prepare the Council to deliver the same in future years.

### **4.0 SIGNIFICANT RISKS**

- 4.1 Section 9 of the Financial Strategy outlines the significant risks in the Council's finances and mitigating controls.

### **5.0 POLICY CONTEXT CONSULTATION**

- 5.1 The Financial Strategy is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.
- 5.2 The Policy and Resources Committee is the Committee designated to make recommendations to the Council relating to the budget and levels of Council Tax. Consequently, recommendations from this Committee will inform the Council and subsequently the Council Tax resolution.
- 5.3 Budget consultation with the public took place last year. A questionnaire was made available for residents to complete online via the Council website, and was also sent out to the members of the Citizens Panel. A summary of the result of the consultation is available for Members.
- 5.4 Member consultation has been through the Resources Working Party and Member Briefing.

## **REPORT**

### **6.0 BACKGROUND AND INTRODUCTION**

- 6.1 The Financial Strategy sets out the Council's financial position in the medium term in detail, including issues around the Local Government Finance Settlement and efficiencies as well as the principles and procedures adopted by the Council to manage its finances to a high standard.
- 6.2 Monitoring of the 2015/2016 budget has taken place through the Resources Working Party and this Committee who receive Revenue Budget Monitoring reports. There are currently no material issues arising from the current year's revenue budget.

#### **KEY ASSUMPTIONS**

- 6.3 In preparing the draft budget for consideration a number of pieces of key information are not yet known and government announcements are awaited. Key assumptions therefore are:
- The final settlement will not vary significantly from the draft announcement including NHB.
  - The figures in this report are based on the draft NNDR1, the deadline for the NNDR1 is the 31 January.
  - Capital receipts assumed in the capital programme from the sale of property and land will be received.

### **Budget and Council Tax for 2016/2017**

6.4 Budgets have been drafted in line with Service Delivery Plans and the Budget Strategy. The following budget assumptions have been made in preparing the budget:

- General Inflation 3%
- Pay Inflation 1.0%
- Fees and Charges up to 4.5%, with exceptions considered by the Policy and Resources Committee (all Fees and Charges were set within the parameters).

6.5 Council resolved on the 8 October 2015 that the budget be prepared on the assumption of a nil increase in Council Tax.

6.6 The referenda limit for 2016/17 was proposed at 2% as part of the Local Government Finance Settlement announced on 17<sup>th</sup> December. With a referenda costing c£70k to undertake and with 2% on Council Tax equating to c£70k it is clear that the Council should not approve a position which requires a referenda.

6.7 The Government also confirmed that Council Tax Freeze Grant would not be available for 2016/17. This news was accompanied by an assumption that Local Authorities would apply an inflationary increase to Council Tax throughout the life of the current Parliament.

6.8 The budget as presented with this report assumes no increase in the RDC part of the Council Tax. Should members wish to revert to an increase, the adjustment to the figures is relatively straightforward, with the increase being seen through a £74k decrease in the New Homes Bonus required to support the revenue budget.

### **Grant Settlement and specific grants**

6.9 The Provisional Local Government Finance Settlement was announced on the 17 December 2015, at the time of writing this report the final announcement had not been received.

6.10 The Council has received figures for Revenue Support Grant (RSG) and Rural Service Delivery Grant for 2016/17 as part of the provisional settlement. The draft announcement on the 17 December was slightly better than expected in relation to these funding streams, mainly through an increase of £32k in rural service delivery grant. This brings the total rural service delivery funding to £141k. The new funding is welcomed, although is still far from compensating for lost grant for rural areas through the formula damping system.

6.11 There were a number of announcements and changes to business rates announced in the autumn statement. Councils will not lose financially from the announcements and section 31 grant will be available to compensate.

6.12 In addition to the above there are the following significant specific grant movements for RDC:

<b>Grant</b>	<b>£k</b>
Reduction in Benefits Administration Subsidy Grants (part estimate)	(48)
Loss of Individual Electoral Registration Grant	(11)
Loss of Council Tax Freeze Grant	(39)
Loss of New Burdens Funding LCTS (estimate)	(10)

### **Retained Business Rates**

- 6.13 Members will be aware that from 2013/14 the Council retains a percentage of business rates. The Council retains 40% of the rate income it collects; it then pays a fixed tariff to the Government (£5.174m in 16/17). If it then has income above a pre determined target the Council keeps 50% of this sum with the remainder paid as a levy to the Government.

The Government has announced that Local Authorities will keep 100% of Business Rate Income before the end of the current Parliament, in return additional responsibilities are to be devolved to Local Government. Consultation on a new scheme will take place in the summer of 2016.

- 6.14 Members are also aware that the Council has formed a business rates pool with North Yorkshire County Council (NYCC), Richmondshire District Council, Scarborough Borough Council, Hambleton District Council and Craven District Council. The benefit of forming the pool is that the levy rate on growth above target is reduced to zero. This benefit is shared between the pool members in accordance with the agreement, the level of benefit is dependent on the performance of each member of the pool (excluding NYCC), having particular regard to the level of business rate appeals.

### **Council Tax Income**

- 6.15 Council Tax income, including the projected surplus on the collection fund is estimated at £3.770m. A 1.99% increase in Council Tax equates to £74k in 2016/17 and is worth £380k to the Council over the next 5 years. The Council Tax Base has increased by 1.93% for 2016/17 and provides additional income to assist the Council's financial position.

### **Base Budget Adjustments**

- 6.16 These are as follows:

<b>Issue</b>	<b>£k</b>
Pay and Price Inflation	126

### **Growth Items**

- 6.17 The position is detailed in appendix A to the Financial Strategy at Annex A.

### **Savings/Additional Income**

- 6.18 At council in October 2013 members approved savings which helped to deliver a balanced budget in both 2014/15 and 2015/16. The Council has undertaken a Voluntary Redundancy process which, when combined with the removal of a number of vacant posts from the establishment, will deliver £435k of efficiency savings.

- 6.19 The annual root and branch review has delivered further efficiencies of £149k (the position is detailed in appendix A to the Financial Strategy at Annex A).

### **New Homes Bonus**

- 6.20 Provisional figures for 2016/17 show an increase in New Homes Bonus (NHB) from £1.387m to £1.676m. To date the Council has used £559k to support the revenue budget and £288k to fund the shortfall on the capital programme, the plans approved last year identified the gradual increase in use of this revenue funding to protect services. The Provisional Finance Settlement provided Illustrative figures for NHB as part of the 4 year settlement, in addition the Government is currently consulting on proposed changes to the NHB scheme. It appears likely that, as a minimum, a new

scheme will reduce the period over which payment is made for additions to the Council Tax base from 6 to 4 years. Current indications are that this change will start to have a negative impact on the finances of the Council from 2018/19.

6.21 The budget as proposed includes an additional £289k in NHB receipts and uses an additional £325k of the 2016/17 NHB to support the revenue budget and £188k to fund the shortfall on the capital programme. There is therefore £604k of NHB unallocated in the budget and this will be transferred into reserves. **Officers recommend that this balance be ring fenced subject to a further report to this Committee focusing on transformational support.**

6.22 Members also need to be aware of risks around the capital programme later in this report which may need to be financed from part of this remaining sum.

### Summary Revenue Budget Position

6.23 Taking all of the above into account the summary position is as follows:

Issue	£k
Base Budget Brought forward	6,823
Add:	
Base Budget Adjustments	126
Growth items	409
Total 'Cost'	7,358
Less:	
Retained Business Rates	1,775
Council Tax Income	3,770
Revenue Support Grant	763
Rural Service Delivery Grant	141
Efficiencies/Savings/Additional Income	584
Movement in New Homes Bonus	325
Balance	0

6.24 Given the significant efficiencies already within the proposed budget and Financial Strategy it will be difficult to identify additional robust deliverable efficiency savings for the 2016/17 budget. Therefore any Member proposals for ongoing additional expenditure will necessitate cuts to existing services.

### Medium Term Revenue Forecast (MTRF) projections to 2020/21

6.25 Members will note the financial projections to 2020/21 (Annex B). As part of the 2016/17 provisional finance settlement the Government have provided 4 year indicative figures, these figures highlight a significant reduction in NHB from 2018-19. A key element of the previous MTRF was the drip feed of NHB into the budget to enable the Council to reduce the savings requirement in each year. This is no longer an option and the reduction in New Homes Bonus will need to be met from additional savings from the revenue and capital budgets through the life of this MTRF. The forecast identifies £1.4m of savings being required in the four year period 2017/18 to 2020/21.

6.26 Annually when updating the capital programme a further year is added, which equates to around £500k of additional expenditure. The current programme includes ongoing funding from NHB of £288k to bridge the shortfall in delivering a basic capital scheme. In light of the proposed reduction in NHB funding and in order to reduce, to some extent, the impact on the revenue account it is proposed that the

contribution from NHB is reduced by £100k from 2016/17 onwards to be matched by a like reduction in the cost of the capital programme. Because the current capital programme is fully funded up to 2018/19 this will only affect schemes from 2019/20 onwards. Without this action a further £100k in savings will be required from the revenue budget.

### **Capital Programme**

- 6.27 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (appendix D) up to 2019/20 totalling £5.540m. External funding of £1.362m is included, leaving a balance of £4.178m to be financed by the Council's funds and reserves as follows:

Funding Source	£
Capital Fund	2,555k
Capital Receipts	563k
Borrowing	1,060k
	4,178k

- 6.28 The principle of the capital plan is that only those schemes which are fully worked up, evaluated and approved by Members and as such would not require further Member approval to proceed (other than in meeting constitutional requirements) are within the Capital Programme. The Capital Programme, as profiled above, necessitates the use of borrowing in 2015/16 and 2016/17.
- 6.29 Members should note that there are £238k unallocated capital resources available for investment in new schemes based on existing assumptions of capital receipts and investment interest receipts. Schemes on the reserve list are for information and the inclusion of any of the schemes will be a Council decision based on evaluation of the detailed proposals.
- 6.30 The 4 year capital programme is based upon the full capital receipt from the sale of a number of pieces of land and property. This is assumed within the capital programme at a value of £413k.
- 6.31 The capital programme as proposed also includes the predicted final payment towards the Brambling Fields junction improvements, which takes into account additional costs relating to irrecoverable VAT from the Highways Agency and a final split of costs with NYCC. The final split of costs is still subject negotiation. The maximum final cost is now estimated to be slightly in excess of the maximum scheme contribution agreed by Council, if this situation remains then a further report will be brought before members to approve this increase before payment is made. Assumptions about developer contributions have been increased to cover this cost. The position on the receipt of these will need consideration over time and may necessitate other funding to be identified if they are not received.

### **Pay Policy 2016/17**

- 6.32 The Pay Policy for RDC for 2016/17, as required under the Localism Act is attached at appendix E to the Financial Strategy (Annex A).

### **Special Expenses**

- 6.33 As in previous years, the Council undertakes the management of street lighting in the areas of the former Malton and Norton Urban District Councils and Pickering Rural District Council. The special expenses are a specific charge to the residents of the Parishes concerned and are estimated as follows:-

<u>Town/Parish</u>	<u>£</u>
Malton	4,860
Norton	9,770
Pickering Rural	20,470
<b>TOTAL SPECIAL EXPENSES</b>	<b>35,100</b>

#### **National Non-Domestic Rates (NNDR)**

- 6.34 For 2015/16 the NNDR multipliers are: a small business non-domestic rate multiplier of 48.0 p and a non-domestic rate multiplier of 49.3p. For 2016/17 the draft multipliers are 48.4 and 49.7p respectively.

#### **Prudential Code**

- 6.35 Under the Local Government Act 2003 it is necessary for the Council to agree a series of prudential indicators mainly related to capital but taking account of affordability of the revenue consequences. Appendix B of the Financial Strategy lists the various indicators.

- 6.36 These indicators can be amended during the year if they are found to be inadequate.

#### **Funds & Reserves**

- 6.37 As part of the budget setting process, it is necessary to give Members an indication of the levels of reserves and balances and comment thereon. Appendix C in the Financial Strategy sets out the projected major Funds and Reserve balances. The Council's revenue budget for 2016/17 assumes no draw on the General Reserve to support the budget. With the outlook for 2016/17 and beyond being very tough, and the scale and risk of achieving cost reduction being high, the council's policy on surplus reserves is clear: to invest to save and, if required, to smooth the curve of cost reduction in the light of timescales needed to drive costs out.

#### **Local Government Act 2003 – Section 25 Report**

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) to report to the Authority when it is making the statutory calculations required to determine its Council tax or precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the appropriate level of reserves should be guided by advice based on an assessment of all the circumstances considered likely to affect the Authority.

In each Local Authority the Chief Finance Officer alone must prepare the Section 25 report.

Section 25 requires the report to be made to the Authority when the decisions on the calculations are formally being made (i.e. Council). However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation. During this process appropriate information and advice has been

given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.

DCLG guidance states that *“it should be possible to identify the sections of a composite report that are made under section 25, so that the Authority is able to discharge its duty to take account of the statutory report under section 25 (2).”*

### **Section 25 Report (Report of the Chief Finance Officer – Finance Manager (s151))**

In setting the Revenue budget for 2016/2017 **I consider that the proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.**

The total saving proposals are £584k. This level is significant in relation to the Authority’s overall budget and therefore inherently carries a risk. The achievement of these savings will be crucial in managing within the budget. The risk of this has been mitigated in part by thoroughly reviewing all savings proposals for their robustness and effective budget monitoring procedures are in place. There inevitably remains a risk in delivering on this level of savings and there is always potential for delay in achieving savings or failure to achieve income targets. Where this occurs, compensating savings will need to be identified. Assumptions are within the 2016/17 budget that the 3 month moratorium £21k will be delivered.

The overall level of reserves is considered in detail within the Financial Strategy. I consider that the overall level of reserves is adequate.

The Capital Plan and Capital Programme have been regularly reviewed during the year. The unapplied capital resources will need to be considered in knowledge of the ongoing expectations of low interest rates and limited capital receipts generated by the Authority. It is important that proper project management disciplines are followed for schemes within the programme together with regular monitoring to minimise the potential for unexpected overspends.

Within the current economic climate it will be important that close budget monitoring of services which generate income and partnerships takes place. In particular Land Charges, Building Control, Recycling, Trade Waste, Green Waste, Car Parking, Planning and Ryecare to enable action to be taken in year where necessary.

## **7.0 IMPLICATIONS**

7.1 The following implications have been identified:

- a) Financial  
Significant financial implications on the Council are detailed in the report and the Financial Strategy.
- b) Legal  
There are no additional legal issues on the Council from the recommendations.
- c) Other  
The proposals within the Financial Strategy do impact on the staffing resources of the Authority. Appropriate procedures and plans are in place to manage these issues.

**Peter Johnson**  
**Finance Manager (s151)**

**Author:** Peter Johnson, Finance Manager (s151)  
**Telephone No:** 01653 600666 ext: 385  
**E-Mail Address:** [peter.johnson@ryedale.gov.uk](mailto:peter.johnson@ryedale.gov.uk)

**Background Papers:**

[Provisional local government finance settlement: England, 2016 to 2017 and future years - GOV.UK](#)

[New Homes Bonus: sharpening the incentive: technical consultation - Consultations - GOV.UK](#)

[Ryedale District Council - budget consultation](#)

**Background Papers are available for inspection at:**  
N/A

This page is intentionally left blank



---

**REPORT TO:** FULL COUNCIL  
**DATE:** 25 FEBRUARY 2016  
**SUBJECT:** PART 'B' REFERRALS FROM POLICY AND RESOURCES  
COMMITTEE ON 4 FEBRUARY 2016

---

**59 Financial Strategy 2016/2017**

Considered - Report of the Finance Manager (s151)

**Recommendation to Council**

That Council is recommended:

- (i) To approve the Council's Financial Strategy (Annex A) which includes:
  - a. Savings/additional income totalling £584k (Financial Strategy Appendix A)
  - b. Growth Pressures totalling £410k (Financial Strategy Appendix A)
  - c. The Prudential Indicators (Financial Strategy Appendix B)
  - d. The revised capital programme (Financial Strategy Appendix D)
  - e. The Pay Policy 2016/2017 (Financial Strategy Appendix E)
- (ii) a revenue budget for 2016/2017 of £6,381,609 which represents a 1.99% in the Ryedale District Council Tax, increasing the Band D charge from £176.72 to £180.23 (note that total Council Tax, including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council) and to reduce the amount of New Homes Bonus required to balance the revenue budget for 2016/17 by £73,526 and to reflect these changes in the medium term revenue forecast.
- (iii) to approve the special expenses amounting to £35,100;
- (iv) to note the financial projection for 2016/17 – 2020/21 (Annex B).

Voting record  
7 for  
3 abstentions

This page is intentionally left blank



---

**REPORT TO: FULL COUNCIL**

**DATE: 25 FEBRUARY 2016**

**SUBJECT: PART 'B' REFERRALS FROM OVERVIEW AND SCRUTINY  
COMMITTEE ON 28 JANUARY 2016**

---

**70 Treasury Management Strategy Statement and Annual Investment Strategy  
2016/17**

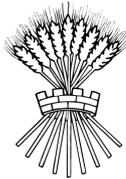
Considered the report of the Finance Manager (s151).

**Recommendation**

That Council is recommended to approve:

- i. Members receive the report;
- ii. The Treasury Management and Investment Strategies be noted and approved by the Council;
- iii. The Minimum Revenue Provision Policy Statement be approved by the Council
- iiii. That the Prudential Indicators in the report be approved by the Council.

This page is intentionally left blank



---

<b>REPORT TO:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>25 FEBRUARY 2016</b>
<b>REPORT OF THE:</b>	<b>FINANCE MANAGER (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2016/17</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 To consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2016/17.

### **2.0 RECOMMENDATIONS**

- 2.1 That Council is recommended to approve:
- (i) Members receive this report;
  - (ii) The Treasury Management and Investment Strategies be noted and approved by the Council;
  - (iii) The Minimum Revenue Provision Policy Statement be approved by the Council and;
  - (iii) That the Prudential Indicators in the report be approved by the Council.

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (The Code) was adopted by the Council.
- 3.2 The Local Government Act 2003 and supporting regulations requires the Council to have regard to specified codes of practice, namely the CIPFA publications *Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes*.

#### **4.0 SIGNIFICANT RISKS**

- 4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment policy, these are minimised. The employment of Treasury Advisors also helps reduce the risk.

#### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code and the relevant requirements of the Local Government Act 2003.
- 5.2 The Council use the services of Capita Asset Services to provide treasury management information and advice.

### **REPORT**

#### **6.0 REPORT DETAILS**

- 6.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 6.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 6.3 CIPFA defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

##### **Reporting Requirements**

- 6.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee.

***Prudential and Treasury Indicators and Treasury Strategy*** (this report) – The first and most important report covers:

- The capital plans (including prudential indicators);
- A Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and

- An investment strategy (the parameters on how investments are to be managed).

**A Mid Year Treasury Management Report.** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy or whether any policies require revision.

**An Annual Treasury Report.** This provides details of a selection of actual prudential treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Treasury Management Strategy for 2016/17**

6.5 The strategy for 2016/17 covers two main areas

#### **Capital Issues**

- The capital plans and prudential indicators
- The MRP strategy

#### **Treasury Management Issues**

- The current treasury position;
- Treasury indicators which will limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- The investment strategy; and
- Creditworthiness policy.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

### **THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2018/19**

6.6 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

6.7 **Capital Expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. **Members are asked to approve the capital expenditure forecasts:**

<b>Capital Expenditure</b>	<b>2014/15 Actual £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>
<b>Capital Programme</b>	<b>1.331</b>	<b>2.206</b>	<b>1.295</b>	<b>0.749</b>	<b>0.695</b>

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already included borrowing instruments.

6.8 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing):

Capital Expenditure	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total	1.331	2.206	1.295	0.749	0.695
<b>Financed by:</b>					
Capital receipts	0	-0.443	-0.030	-0.030	-0.030
Capital grants	-0.318	-0.200	-0.200	-0.200	-0.200
Revenue	-0.003	-0.823	-0.745	-0.519	-0.465
<b>Net financing need for the year</b>	<b>1.010</b>	<b>0.740</b>	<b>0.320</b>	<b>0</b>	<b>0</b>

#### 6.9 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

- 6.10 Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £0.516m of such schemes within the CFR.

#### The Council is asked to approve the CFR projections below:

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
<b>Capital Financing Requirement</b>					
CFR – non Housing	1.526	2.336	2.747	2.523	2.292
<b>Total CFR</b>	<b>1.526</b>	<b>2.336</b>	<b>2.747</b>	<b>2.523</b>	<b>2.292</b>
<b>Movement in CFR</b>	<b>1.272</b>	<b>0.810</b>	<b>0.411</b>	<b>-0.224</b>	<b>-0.231</b>

<b>Movement in CFR represented by</b>					
Net financing need for the capital programme	1.010	0.740	0.320	0	0
Net financing need – other long term liabilities	0.416	0.270	0.316	0	0
Less MRP and other financing movements	-0.154	-0.200	-0.225	-0.224	-0.231
<b>Movement in CFR</b>	<b>1.272</b>	<b>0.810</b>	<b>0.411</b>	<b>-0.224</b>	<b>-0.231</b>

#### **MRP Policy Statement**

- 6.11 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

- 6.12 CLG Regulations have been issued which require the full Council to approve an MRP Policy Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. **The Council is recommended to approve the following MRP Statement.**

Certain expenditure reflected within the actual debt liability at 31 March 2015 will

under delegated powers be subject to MRP under option 3 of the guidance; this relates to the acquisition through finance lease of refuse and recycling vehicles and will be charged over a period which is commensurate with the life of the lease, using the annuity method.

For future borrowing, estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will be divided up in cases where there are two or more major components with substantially different useful economic lives.

### The Use of the Council's Resources and the Investment Position

- 6.13 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Fund balances / reserves	5.055	4.914	4.555	4.237	4.011
Capital receipts	0.187	0.187	0.187	0.187	0.187
Provisions	0.556	0.556	0.556	0.556	0.556
<b>Total core funds</b>	<b>5.798</b>	<b>5.657</b>	<b>5.298</b>	<b>4.980</b>	<b>4.754</b>
Working capital*	3.316	3.453	3.800	3.770	3.701
Under/over borrowing	0.740	0	0	0	0
<b>Expected Investments</b>	<b>9.854</b>	<b>9.110</b>	<b>9.098</b>	<b>8.750</b>	<b>8.455</b>

\*working capital balances shown are estimated year end; these may be higher mid year

### Affordability Prudential Indicators

- 6.14 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. **The Council is asked to approve the following indicators:**

**Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non HRA	1.47%	3.05%	3.85%	3.04%	2.51%

The estimates of financing costs include current commitments and the proposals in

this budget report.

**Estimates of the incremental impact of capital investment decisions on council tax.** This indicator identifies the revenue costs associated with proposed changes to the capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

**Incremental impact of capital investment decisions on the band D council tax**

	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
<b>Council tax – band D</b>	£0.59	£0.94	£1.35

**TREASURY MANAGEMENT STRATEGY**

- 6.15 The capital expenditure plans provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet the service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

**Current Portfolio Position**

- 6.16 The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	<b>2014/15 Actual £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>
<b>External Debt</b>					
Debt at 1 April	0	1.750	1.715	2.000	1.959
Expected change in debt	1.750	-0.035	0.285	-0.041	-0.042
Other long term liabilities (OLTL)	0.254	0.516	0.621	0.747	0.565
Expected change in OLTL	0.262	0.105	0.126	-0.183	-0.190
<b>Actual gross debt at 31 March</b>	<b>2.266</b>	<b>2.336</b>	<b>2.747</b>	<b>2.523</b>	<b>2.292</b>
<b>Capital financing Requirement</b>	<b>1.526</b>	<b>2.336</b>	<b>2.747</b>	<b>2.523</b>	<b>2.292</b>
<b>Under / over(-) borrowing</b>	<b>-0.740</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 6.17 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

- 6.18 The Finance Manager (s151) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view

takes into account current commitments, existing plans, and the proposals in this budget report.

### Treasury Indicators: Limits to Borrowing Activity

- 6.19 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Debt	5.000	5.000	5.000	5.000
Other long term liabilities	0.700	0.800	0.600	0.400
Total	5.700	5.800	5.600	5.400

- 6.20 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans or those of a specified council, although this power has not been exercised.

### The Council is asked to approve the following Authorised Limit:

Authorised Limit	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Debt	10.000	10.000	10.000	10.000
Other long term liabilities	1.000	1.000	1.000	1.000
Total	11.000	11.000	11.000	11.000

### Prospects for Interest Rates

- 6.21 The Council has appointed Capita as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Annex G draws together a number of current city forecasts for short term (bank rate) and longer fixed interest rates. The following table gives the Capita central view

	Bank Rate	PWLB Borrowing Rates		
		5 Year	25 Year	50 Year
March 2016	0.50	2.40	3.70	3.60
June 2016	0.75	2.60	3.80	3.70
Sept 2016	0.75	2.70	3.90	3.80
Dec 2016	1.00	2.80	4.00	3.90
March 2017	1.00	2.80	4.10	4.00
June 2017	1.25	2.90	4.10	4.00
Sept 2017	1.50	3.00	4.20	4.10
Dec 2017	1.50	3.20	4.30	4.20
March 2018	1.75	3.30	4.30	4.20
June 2018	1.75	3.40	4.40	4.30
Sept 2018	2.00	3.50	4.40	4.30

- 6.22 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth

rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015 this year. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, worldwide economic statistics have distinctly weakened and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1 percent in the second half of 2016. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

6.23 This challenging and uncertain economic outlook has several key treasury management implications:

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenomenally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

#### **Borrowing Strategy**

6.24 The Council has resolved to borrow £2.07m as funding towards the 4 year capital programme, specifically as funding towards the A64 Brambling Fields upgrade, the Council delayed borrowing until internal capital funds reached the point where they were insufficient to meet capital expenditure. Following advice from Treasury Advisors and having regard to an overall forecast for increases in long term borrowing rates in the medium term, the Council has undertaken £1.75m of its total borrowing requirement.

The Chief Financial Officer will monitor interest rates in conjunction with Treasury

Advisors and seek to borrow the remaining £320k at the most advantageous point in time. Any decisions will be reported to the Policy and Resources Committee.

### **Treasury Management Limits on Activity**

6.25 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

### **The Council is asked to approve the following treasury indicators and limits:**

%	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Interest Rates Exposure</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Borrowing:</b>			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	5%	5%	5%
<b>Investments:</b>			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%
<b>Maturity Structure of fixed interest rate borrowing 2016/17</b>		<b>Lower</b>	<b>Upper</b>
15 years to 20 years		36%	52%
45 years to 50 years		48%	64%

### **Policy on Borrowing in Advance of Need**

6.26 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

## **ANNUAL INVESTMENT STRATEGY**

### **Investment Policy**

6.27 The Council's investment policy has regard to the CLGs Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") The Council's investment priorities will be security first, liquidity second, and then return.

6.28 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness

methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Sector ratings service banks ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

- 6.29 Further the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour coding which show the varying degrees of creditworthiness.
- 6.30 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.
- 6.31 Investment securities identified for use in the financial year are listed in Annex B under the Specified and Non-Specified Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – schedules. The Council's bankers are excluded from these limits.

#### **Creditworthiness Policy**

- 6.32 This Council applies the creditworthiness service provided by Capita Asset Services (Sector). This service employs a sophisticated modelling approach utilising credit ratings from all three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
- Credit watches and credit outlooks from credit rating agencies;
  - CDS spreads to give early warning of likely changes in credit ratings;
  - Sovereign ratings to select counterparties from only the most creditworthy countries.
- 6.33 This modelling approach combines credit ratings, credit watches, and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments. The Council will therefore use the counterparties within the following durational bands:
- Yellow            5 years \*
  - Dark Pink       5 years for enhanced money market funds with a credit score of 1.25
  - Light Pink       5 years for enhanced money market funds with a credit score of 1.5
  - Purple            2 years
  - Blue              1 year (only applies to nationalised or semi nationalised UK Banks)
  - Orange          1 year
  - Red               6 months
  - Green            100 days

- No colour not to be used

\* This category has been added for AAA rated Government debt or its equivalent.

- 6.34 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency ratings.
- 6.35 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1 , Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these, instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 6.36 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be with drawn immediately;
  - In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the lending list.
- 6.37 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

#### **Country Limits**

- 6.38 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex C. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

#### **Investment Strategy to be followed with cash flow derived balances**

- 6.39 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates i.e. rates for investments up to 12 months.
- 6.40 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:
- 2016/2017 1.00%
  - 2017/2018 1.75%
  - 2018/2019 2.00%

There are down side risks to these forecasts (i.e. start of increases in bank rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead

exceed the Bank of England's 2% target rate.

- 6.41 **Investment Treasury Indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

**The Council is asked to approve the treasury indicator and limit:**

<b>Maximum principal sums invested &gt; 364 days</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Principal sums invested > 364 days	£1.0m	£1.0m	£1.0m

- 6.42 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 60 and 95 days notice accounts, money market funds and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

**End of Year Investment Report**

- 6.43 At the end of the financial year the Council will report on its investment activity as part of the Annual Treasury Report.

**Policy on the use of external service providers**

- 6.44 The Council uses Capita as its external treasury management advisors.
- 6.45 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 6.46 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

**Scheme of Delegation**

- 6.47 Please see Annex D.

**Role of the section 151 officer**

- 6.48 Please see Annex E.

**7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:
- a) Financial  
The results of the investment strategy affect the funding of the Capital Programme.
  - b) Legal  
There are no legal implications regarding this report.
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
There are no legal implications regarding this report.

**Peter Johnson**  
**Finance Manager (s151)**

**Author:** Peter Johnson, Finance Manager (s151)  
Telephone No: 01653 600666 ext: 385  
E-Mail Address: [peter.johnson@ryedale.gov.uk](mailto:peter.johnson@ryedale.gov.uk)

**Background Papers:**  
None

**Background Papers are available for inspection at:**  
None

This page is intentionally left blank

## TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY REPORT- RISK MATRIX – ANNEX A

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Credit risk - associated with investing with financial institutions that do not meet the credit rating criteria.	Could mean loss of principal sum and interest accrued.	<b>2</b>	<b>D</b>	Although the economic climate is improving, counterparty risk is still a big issue. As a result the Council have adopted a stringent credit rating methodology.	<b>1</b>	<b>D</b>
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	<b>2</b>	<b>B</b>	The number of investment options is kept to a minimum. Investments are normally restricted to short term fixed rate deposits or instant access accounts.	<b>2</b>	<b>B</b>
Liquidity risk - Use of fixed term deposits and / or instruments / investments with low marketability may mean a lack of liquidity	Unable to take advantage of better investment options. Funds are unavailable to cover capital spend.	<b>1</b>	<b>B</b>	This Strategy specifies the type of instrument the authority is prepared to invest in and maximum term for those investments	<b>1</b>	<b>B</b>

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

This page is intentionally left blank

## ANNEX B

### SPECIFIED AND NON-SPECIFIED INVESTMENTS

#### SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable. These are considered low risk assets where the possibility of loss of principal or investment income is small.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Investment	Minimum Credit Criteria / Colour Band	£ limit per institution	Max maturity period
Debt Management Agency Deposit Facility	N/A	£3.0m	6 months
Term deposits – local authorities	N/A	£3.0m	1 year
Term deposits - UK part nationalised banks	Blue **	£3.0m	1 year
Term deposits – banks and building societies	Orange Red Green No colour	£3.0m	Up to 1 year Up to 6 months Up to 100 days Not for use
Money Market Funds	AAA	£3.0m	Liquid

\*\*only applies to nationalised or semi nationalised UK Banks

## NON-SPECIFIED INVESTMENTS

A maximum of £1.0m will be held in aggregate in non-specified investment

### 1. Maturities of ANY period

Investment	Minimum Credit Criteria / Colour Band	Maximum Investment	Maximum maturity period
Certificates of deposits issued by banks and building societies	Green	£1.0m	Up to 2 years
UK Government Gilts	Sovereign rating	£1.0m	Up to 2 years
Bonds issued by multilateral development banks	AAA	£1.0m	Up to 2 years
Bonds issued by a financial institution which is explicitly guaranteed by the UK government	Sovereign rating	£1.0m	Up to 2 years
Fixed term deposits with variable rate and variable maturities:			
Structured deposits	Green	£1.0m	Up to 2 years
Commercial paper issuance by UK banks covered by UK Government guarantee	Green	£1.0m	Up to 2 years
Other debt issuance by UK banks covered by UK Government guarantee	Green	£1.0m	Up to 2 years

.This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

### 2. Maturities in excess of 1 year

Investment	Minimum Credit Criteria	Maximum Investment	Maximum maturity period
Term deposits – local authorities	N/A	£1.0m	Up to 2 Years
Term deposits – banks and building societies	Purple	£1.0m	Up to 2 Years

**APPROVED COUNTRIES FOR INVESTMENT**

*Based on lowest available rating*

**AAA Rating**

- Australia
- Canada
- Denmark
- Germany
- Singapore
- Sweden
- Switzerland

**AA+ Rating**

- Finland
- Netherlands
- U.K.
- U.S.A.

**AA Rating**

- Abu Dhabi (UAE)
- France
- Qatar

**AA- Rating**

- Belgium

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

**1. Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

**2. Policy and Resources Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- approving the selection of external service providers and agreeing terms of appointment.

**3. Overview and Scrutiny Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

**THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

**The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

**UK.** UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again, to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.3%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1% in the second half of 2016. Indeed, the increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. Nevertheless, despite average weekly earnings ticking up to 3.0% y/y in the three months ending in September, this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate in the near future as labour productivity growth has meant that net labour unit costs appear to be rising by about only 1% y/y. Having said that, at the start of October, data came out that indicated annual labour cost growth had jumped sharply in quarter 2 from +0.3% to +2.2%: time will tell if this is just a blip or the start of a trend.

There is, therefore, considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, therefore, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

**USA.** GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded very strongly in Q2 to 3.9% (annualised) before dipping again in Q3 to 2.1%.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. may start to increase rates in September. However, the Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong and, together with a likely perception by the Fed. that concerns on the international scene have subsided since August, has now firmly opened up the possibility of a first rate rise in December.

**Eurozone.** The ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in Q1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in Q2 and +0.3% in Q3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

**Greece.** During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

**China and Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.7% after a short burst of strong growth of 1.0% during Q1. Growth in Q3 was -0.8% so Japan is now back into recession for the fourth time in five years. It has been hit hard by the downturn in China during 2015. This does not bode well for Japan as the Abe government has already fired its first two arrows to try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

**Emerging countries.** There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

#### **CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.

- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

## INTEREST RATE FORECAST

Capita Asset Services Interest Rate View														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
<b>Bank Rate View</b>	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
3 Month LIBID	0.60%	0.70%	0.80%	0.90%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%
6 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.10%	2.20%	2.20%	2.30%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.40%	2.50%	2.50%	2.70%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB Rate	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB Rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
<b>Bank Rate</b>														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
<b>5yr PWLB Rate</b>														
Capita Asset Services	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
Capital Economics	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
<b>10yr PWLB Rate</b>														
Capita Asset Services	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
<b>25yr PWLB Rate</b>														
Capita Asset Services	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
<b>50yr PWLB Rate</b>														
Capita Asset Services	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Capital Economics	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-



---

**REPORT TO:** FULL COUNCIL  
**DATE:** 25 FEBRUARY 2016  
**SUBJECT:** PART 'B' REFERRALS FROM POLICY AND RESOURCES COMMITTEE ON 4 FEBRUARY 2016

---

**60 Response to the New Homes Bonus: Sharpening the Incentive - Technical Consultation**

Considered - Report of the Chief Executive

**Recommendation to Council**

That Council is recommended:

- (i) To agree the response to the consultation attached at Annex A and B and delegate authority to the Finance Manager (s151) in consultation with the Chairman of Policy and Resources to make any alterations, if necessary, prior to submission by the 10 March 2017.

Voting record  
8 for  
2 abstentions

This page is intentionally left blank



---

<b>PART B:</b>	<b>RECOMMENDATION TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>4 FEBRUARY 2016</b>
<b>REPORT OF THE:</b>	<b>CHIEF EXECUTIVE JANET WAGGOTT</b>
<b>TITLE OF REPORT:</b>	<b>RESPONSE TO THE NEW HOMES BONUS: SHARPENING THE INCENTIVE - TECHNICAL CONSULTATION</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

## EXECUTIVE SUMMARY

### 1.0 PURPOSE OF REPORT

- 1.1 The report sets out the response to the New Homes Bonus: Sharpening the Incentive - Technical Consultation.

### 2.0 RECOMMENDATION

- 2.1 That Council is recommended:
- (i) To agree the response to the consultation attached at **Annex A and B** and delegate authority to the Finance Manager (s151) in consultation with the Chairman of Policy and Resources to make any alterations, if necessary, prior to submission by the 10 March 2017.

### 3.0 POLICY CONTEXT AND CONSULTATION

- 3.1 The consultation seeks views on options on changes to the NHB in order to reflect Authorities delivery of new housing. It also seeks views on reducing the number of years in which current and future payments are made.
- 3.2 This consultation sets out a variety of options for increasing the focus of the NHB ("the Bonus") on delivery of new homes and freeing up resources to be recycled within the local government settlement to support authorities with particular pressures, such as adult social care, following the outcome of the 2015 Spending Review.
- 3.3 The options on which views are sought are:
- withholding the Bonus from areas where an authority does not have a Local Plan in place;
  - abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal;

- adjusting the Bonus to reflect estimates of deadweight;
- proposals for reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years;
- considers mechanisms by which the changes could be calculated.

## REPORT

### 4.0 REPORT DETAILS

- 4.1 The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Since its launch, over £3.4 billion has been allocated, recognising delivery of over 700,000 homes and bringing over 100,000 long term empty homes back into use.
- 4.2 The New Homes Bonus (“the Bonus”) was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas. The Government now thinks that it is appropriate to consider how the incentive element of the Bonus could be further tightened alongside possible changes to respond to the move towards full retention of business rates and the potential for further devolution of powers and responsibilities to local authorities.
- 4.3 Proposed changes to the distribution of the Bonus should be seen in the context of the outcome of the 2015 Spending Review. This confirmed the intention to move to full retention of business rates by 2020 and a preferred option for savings of at least £800 million, which can be used for social care. Savings in the overall cost of the Bonus will be redistributed with the local government settlement, in particular to support authorities with specific pressures, such as in adult social care budget.
- 4.4 Although the Government is not proposing changes for 2016-17 payments, reductions in payments will be necessary in order to stay within this new funding envelope from 2017-18 onwards. This can be combined with reforms to both sharpen its incentive effect and free up resources for authorities with particular pressures, such as adult social care.

### 5.0 IMPLICATIONS

- 5.1 The following implications have been identified:
- a) Financial  
Changes are for the 2017/2018 Budget and have an impact on RDC's Financial Strategy and the future of the Medium Term Financial Plan

### 6.0 NEXT STEPS

- 6.1 Comments received will be collated and a final response will be published within 3 months of the closing date which is 10 March 2016.

**Janet Waggott**  
**Chief Executive**

**Author:** Janet Waggott, Chief Executive  
**Telephone No:** 01653 600666 ext: 201  
**E-Mail Address:** [janet.waggott@ryedale.gov.uk](mailto:janet.waggott@ryedale.gov.uk)



Department for  
Communities and  
Local Government

## New Homes Bonus: Sharpening the Incentive

Technical Consultation



© Crown copyright, 2015

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

December 2015

ISBN: 978-1-4098-4748-9

# Contents

<b>Section 1: Consultation Procedure</b>	<b>4</b>
<b>Section 2: Introduction</b>	<b>7</b>
<b>Section 3: Options for Change</b>	<b>9</b>
<b>Section 4: Summary of Questions</b>	<b>20</b>
<b>Section 5: Next Steps</b>	<b>21</b>
<b>Annex – Worked Example</b>	<b>22</b>

# Section 1: Consultation Procedure

## Scope of the consultation

<b>Topic of this consultation:</b>	<b>This consultation seeks views on options on changes to the New Homes Bonus in order to better reflect authorities' delivery of new housing. It also seeks views on reducing the number of years in which current and future payments are made.</b>
<b>Scope of this consultation:</b>	This consultation sets out a variety of options for increasing the focus of the New Homes Bonus ("the Bonus") on delivery of new homes and freeing up resources to be recycled within the local government settlement to support authorities with particular pressures, such as adult social care, following the outcome of the 2015 Spending Review. The options on which views are sought are: withholding the Bonus from areas where an authority does not have a Local Plan in place; abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal; and adjusting the Bonus to reflect estimates of deadweight. The consultation also sets out proposals for reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years. The consultation considers mechanisms by which the changes could be calculated and provides exemplifications to show how the changes would work in practice alongside indications of the total cost. The changes are only proposed for 2017-18 onwards so exemplifications of impacts on individual local authorities have not been provided.
<b>Geographical scope:</b>	This consultation is applicable to England only.
<b>Impact Assessment:</b>	Impact Assessments are required where policies have a potential regulatory impact. This consultation focuses on an existing spending policy - the New Homes Bonus - so is not accompanied by an Impact Assessment.

## Basic Information

<b>To:</b>	Local Authorities Housing Bodies
<b>Body/bodies responsible for the consultation:</b>	Housing Markets Division Department for Communities and Local Government
<b>Duration:</b>	12 weeks

<p><b>Enquiries:</b></p>	<p><a href="mailto:newhomesbonus@communities.gsi.gov.uk">newhomesbonus@communities.gsi.gov.uk</a></p> <p>Noemi Chlopecka  Housing Markets Division  Department for Communities and Local Government  Fry Building  2 Marsham Street  London  SW1P 4DF  Tel: 0303 444 4561</p>
<p><b>How to respond:</b></p>	<p>If possible, please respond to the questions in this consultation via the online form  <a href="https://www.surveymonkey.co.uk/r/X8RHS5">https://www.surveymonkey.co.uk/r/X8RHS5</a></p> <p>Responses may also be sent to:  <a href="mailto:newhomesbonus@communities.gsi.gov.uk">newhomesbonus@communities.gsi.gov.uk</a></p> <p>The deadline for responses is 10 March 2016.</p>
<p><b>After the consultation:</b></p>	<p>Comments received on the proposals set out in the consultation will be collated and a formal response document published within three months of the closing date of the consultation.</p>
<p><b>Compliance with the Consultation Principles:</b></p>	<p>This consultation document and consultation process adhere to the Government's consultation principles, these can be found at:</p> <p><a href="https://www.gov.uk/government/publications/consultation-principles-guidance">https://www.gov.uk/government/publications/consultation-principles-guidance</a></p> <p>Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).</p> <p>If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.</p>

	<p>The Department for Communities and Local Government will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be acknowledged unless specifically requested.</p> <p>Your opinions are valuable to us. Thank you for taking the time to read this document and respond.</p> <p>If you have any observations about how we can improve the consultation process, please contact:</p> <p>DCLG Consultation Co-ordinator  Department for Communities and Local Government  Fry Building  2 Marsham Street  London  SW1P 4DF</p> <p>Or by email to:</p> <p><a href="mailto:Consultationcoordinator@communities.gsi.gov.uk">Consultationcoordinator@communities.gsi.gov.uk</a></p>
--	--

## Background

<b>Getting to this stage:</b>	<p>The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Since its launch, over £3.4 billion has been allocated, recognising delivery of over 700,000 homes and bringing over 100,000 long term empty homes back into use.</p>
<b>Previous engagement:</b>	<p>The Department for Communities and Local Government carried out a consultation on the New Homes Bonus in 2010.</p> <p>A further consultation on putting some of the Bonus into the Local Growth Fund was carried out in 2013.</p>

## Section 2: Introduction

### Aim

2.1. The New Homes Bonus (“the Bonus”) was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas. The Government now thinks that it is appropriate to consider how the incentive element of the Bonus could be further tightened alongside possible changes to respond to the move towards full retention of business rates and the potential for further devolution of powers and responsibilities to local authorities.

### Background

2.2. The New Homes Bonus reflects the crucial role local authorities play in supporting housing and wider economic growth by rewarding additional homes built in their areas. The Bonus rewards local authorities for each additional new build and conversion using the national average council tax in each band. Long-term empty properties brought back into use are also included and there is a premium for affordable homes. Each year’s grant is paid for 6 years. The Bonus is not ring-fenced. In two-tier areas payments are split between both county (20%) and district (80%) authorities. From 2016-17, allocations to local authorities made under the Bonus are expected to total in the region of £1.4 billion to £1.5 billion annually. Since its introduction, payments to local authorities have totalled just under £3.4 billion reflecting over 700,000 new homes and conversions and over 100,000 empty homes brought back into use. Of the total, over 200,000 were affordable homes.

2.3. Last year, the then Government carried out an evaluation of the Bonus, examining its impact to date on attitudes and behaviours of key players in relation to housing delivery and examining the impact on the finances of local authorities. The findings of the evaluation can be found at <https://www.gov.uk/government/publications/evaluation-of-the-new-homes-bonus> and have been taken into account in designing this consultation proposal. Key findings were that almost 50% of planning officers agreed that the Bonus was a powerful incentive to support housing growth; the Bonus is seen to be simple, transparent and flexible; and that, in 2014-15, 75% of local authorities were net gainers from the policy.

2.4. Proposed changes to the distribution of the Bonus should be seen in the context of the outcome of the 2015 Spending Review. This confirmed the intention to move to full retention of business rates by 2020 and a preferred option for savings of at least £800 million, which can be used for social care. Savings in the overall cost of the Bonus will be redistributed with the local government settlement, in particular to support authorities with specific pressures, such as in adult social care budget.

2.5. Although the Government is not proposing changes for 2016-17 payments, reductions in payments will be necessary in order to stay within this new funding envelope from 2017-18 onwards. This can be combined with reforms to both sharpen its incentive

effect and free up resources for authorities with particular pressures, such as adult social care.

2.6. This consultation, therefore, seeks views on the options for change to two aspects of the Bonus: reducing overall costs by moving from 6 years to 4 of payments and reform of the Bonus in order to better reflect local authorities' performance on housing growth. It also considers options for staying within the funding envelope in the event of a sudden surge in housing growth.

## Section 3: Options for Change

3.1. This section outlines the options that the Government has been considering for changes to the Bonus in more detail. It sets out the principles involved and describes the approach that could be taken. In most cases, the Government's preferred approach is described together with any other options that have been considered. Where appropriate, exemplifications are included to show how the proposed changes would work. The impact of each possible change on the total funds required by the Bonus is also exemplified for illustrative purposes only using the total provisional allocations for 2016-17.

3.2. It is important to stress that the changes proposed in this section would only be implemented for payments in 2017-18 onwards. **No changes are proposed for either calculation of 2016-17 allocations or payments due to be made in 2016-17 relating to previous years.** This is to ensure that local authorities have sufficient time to reflect the proposed changes in their forward planning.

### Changing the number of years for which payments are made

3.3. At present, each year's allocation under the Bonus leads to "legacy" payments over 6 years. Originally, this was to compensate for reductions in settlement allocations which reflected growth in an authority's Council Tax base. However, since 2011, the decision has been taken not to reduce allocations in this way. At the same time, the way in which each year's allocations lead to commitments over several years leads to a build up of costs over time. Table 1 below shows how payments relating to allocations up to and including those for 2016-17 would, if allowed to continue unaltered, would lead to substantial costs even with no further new allocations.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Payment relating to:										
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233	233			
2013/14			236	236	236	236	236	236		
2014/15				249	249	249	249	249	249	
2015/16					251	251	251	251	251	251
2016/17						293	293	293	293	293
2017/18							293	293	293	293
2018/19								293	293	293
2019/20									293	293
2020/21										293
<b>Annual total (£m)</b>	<b>199</b>	<b>432</b>	<b>668</b>	<b>917</b>	<b>1,168</b>	<b>1,461</b>	<b>1,555</b>	<b>1,615</b>	<b>1,672</b>	<b>1,716</b>

Chart 1: existing unreformed scheme<sup>1</sup>

<sup>1</sup> 2016-17 costs reflect provisional allocations for the year 2016-17 published alongside this document.

## Legacy Payments

3.4. Allowing legacy payments to continue unchanged would also reduce the impact of the proposals in this section (see paragraphs 3.10 to 3.31) to increase the incentive effect of the Bonus since legacy payments relating to earlier, less focussed, allocations would, in the first few years, significantly outweigh new allocations calculated to better reflect local authorities' performance.

3.5. **The Government is therefore consulting on whether from from 2017-18, the number of years for which legacy payments under the Bonus are to be paid will be reduced from 6 years to 4 years.** This is the Government's preferred option. But it is considering whether to move further and reduce payments to 3 or 2 years.

## Transition

3.6. There are several ways in which a reduction in the number of years over which payments would be made could be introduced. In considering options, the Government will aim to strike a balance between achieving the required level of reductions within the Spending Review period and protecting the forward planning which local authorities may have done in anticipation of the payments linked to past allocations.

3.7. One option is to reduce the numbers of years for which payments are made for both existing and future allocations to 5 years in 2017-18 and 4 years in 2018-19. The impact on total annual payments, assuming no other changes, is exemplified in Table 2 below. It has the advantage of protecting existing payments for both 2016-17 and 2017-18 whilst freeing up funding from 2018-19.

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233				
2013/14			236	236	236	236	236			
2014/15				249	249	249	249			
2015/16					251	251	251	251		
2016/17						293	293	293	293	
2017/18							293	293	293	293
2018/19								293	293	293
2019/20									293	293
2020/21										293
<b>Annual total (£m)</b>	<b>199</b>	<b>432</b>	<b>668</b>	<b>917</b>	<b>1,168</b>	<b>1,461</b>	<b>1,322</b>	<b>1,130</b>	<b>1,173</b>	<b>1,173</b>

**Chart 2: Reducing payment period to 4 years (5 years in 2017/18 and 4 years form 2018/19 onward)**

3.8. An **alternative** to this approach could be to introduce the reduction in years earlier or without the intermediate step to 5 years. Chart 3 below shows the impact this might have on overall costs. A **further alternative** would be to reduce the numbers of years for which payments are made to 3 or 2 years.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233				
2013/14			236	236	236	236				
2014/15				249	249	249	249			
2015/16					251	251	251	251		
2016/17						293	293	293	293	
2017/18							293	293	293	293
2018/19								293	293	293
2019/20									293	293
2020/21										293
<b>Annual total (£m)</b>	<b>199</b>	<b>432</b>	<b>668</b>	<b>917</b>	<b>1,168</b>	<b>1,461</b>	<b>1,086</b>	<b>1,130</b>	<b>1,173</b>	<b>1,173</b>

**Chart 3: reducing payment period to 4 years without an interim 5 year stage**

**Consultation question 1**

What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?

**Consultation question 2**

Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

3.9. Bonus allocations are currently calculated using the council tax returns. The net increases in numbers of homes falling within each council tax band are established by comparing successive years' returns. The numbers of homes falling outside band D are then scaled to reflect their equivalence to band D. The resulting total figure is then applied to the national average band D council tax bill for the year to generate the total allocation for that year. There are some concerns that this approach, by favouring higher band homes above those falling into lower bands, could result in some skewing of allocations in favour of areas with higher house prices although this may be partially mitigated by the use of an average value for the band D council tax bill.

**Consultation question 3**

Should the Government continue to use this approach? If not, what alternatives would work better?

## Reforms to improve the incentive

3.10. At present, the Bonus rewards all net additions to housing in an area regardless of the path leading to their construction. It is possible to argue that the Bonus is, therefore, insufficiently focused on really strongly performing authorities. In order to counteract these effects, the Government has considered three ways in which the incentive impact of the Bonus could be improved:

- (a) withholding new Bonus allocations in areas where no Local Plan has been produced in accordance with the Planning and Compulsory Purchase Act 2004;

(b) reducing payments for homes built on appeal; and

(c) only making payments for delivery above a baseline representing deadweight.

3.11. An option would be for the Government to only introduce the improved incentives. The illustrative costs are shown in chart 4. This model still frees up resources, but at reduced levels.

	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Payments already made	Payments to be made	Estimated future payment							
<b>Payment relating to:</b>	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233	233			
2013/14			236	236	236	236	236	236		
2014/15				249	249	249	249	249	249	
2015/16					251	251	251	251	251	251
2016/17						293	293	293	293	293
2017/18							168	168	168	168
2018/19								168	168	168
2019/20									168	168
2020/21										168
<b>Annual total (£m)</b>	<b>199</b>	<b>432</b>	<b>668</b>	<b>917</b>	<b>1,168</b>	<b>1,461</b>	<b>1,430</b>	<b>1,365</b>	<b>1,297</b>	<b>1,217</b>

**Chart 4: introducing all the incentives in the government’s preferred model from 17/18, but making payments for 6 years.**

**A. Withholding the Bonus where no Local Plan has been produced**

3.12. Local Plans are the primary basis for identifying what development is needed in an area and deciding where it should go. Plans give communities and businesses alike certainty about what development is appropriate and where, and set out how local housing and other development needs will be met. Plans are the mechanism through which national policies are applied to specific localities. By identifying sites in a Local Plan authorities can guide development to the most suitable locations, supported by the right infrastructure. Plans provide the starting point for dealing with planning applications as applications must be determined in accordance with the development plan, unless material considerations indicate otherwise. Where a plan is not in place an area may be more vulnerable to unwanted or speculative development.

3.13. Local authorities have had more than a decade to produce Local Plans in accordance with the Planning and Compulsory Purchase Act 2004<sup>2</sup> (“the 2004 Act”). Most have done so – 83% of local planning authorities have published a Local Plan and 66% of

<sup>2</sup> Local Plan means any document of the description referred to in regulation 5(1)(a)(i), (ii) or (iv) or 5(2)(a) or (b), and for purposes of section 17(7)(a) of the Act these documents are prescribed as development plan documents. See Town and Country Planning (Local Planning) (England) Regulations 2012 [http://www.legislation.gov.uk/ukxi/2012/767/pdfs/ukxi\\_20120767\\_en.pdf](http://www.legislation.gov.uk/ukxi/2012/767/pdfs/ukxi_20120767_en.pdf). The National Planning Policy Framework sets an expectation that each local planning authority should produce a single Local Plan which sets out the strategic planning priorities for the area. In practice authorities may adopt multiple development plan documents which collectively constitute the area’s Local Plan.

planning authorities have an adopted Local Plan<sup>3</sup>. At present, local authorities currently receive Bonus payments even where they have not yet put a Local Plan in place<sup>4</sup>. Given the importance of a Local Plan in identifying housing needs in an area and setting the framework for decisions on individual planning applications the Government is considering options for withholding some or all of the Bonus from local authorities that have not yet produced a Local Plan.

3.14. The **Government's preferred option** is that from 2017-18 onwards, local authorities who have not submitted a Local Plan prepared under the 2004 Act should not receive new New Homes Bonus allocations for the years for which that remains the case. Their legacy payments relating to allocations in previous years would be unaffected. An alternative would be for local authorities to receive a set percentage (50%) of the Bonus allocation where they have published a Local Plan but not yet submitted it to the Secretary of State for examination. This approach would recognise progress against the different stages in the plan-making process.

3.15. In July 2011, the Government wrote to local planning authorities and asked that they notify the Planning Inspectorate three months before the publication date of any development plan document and then continue with regular contact prior to the formal submission<sup>5</sup>. The Planning Inspectorate uses this information to maintain a list of how local planning authorities across England are progressing their Local Plans. The Government proposes to use this information to determine the level of abatement. Local authorities will, of course have the usual opportunity between the publication of provisional and confirmed allocations to challenge where they believe that an error has been made in the calculation of the allocation.

**Consultation question 4**

Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?

3.16. To be effective, Local Plans need to be kept up-to-date. Policies will age at different rates depending on local circumstances, and local planning authorities should review the relevance of the Local Plan at regular intervals to assess whether some or all of it may need updating. Most Local Plans are likely to require updating in whole or in part at least every five years. The Government has, therefore, considered an alternative approach to abatement based on a banded mechanism whereby authorities would lose a fixed percentage of the Bonus they would otherwise have received based on the date of their adopted Local Plan. However, while this would provide an incentive for authorities to keep their plans up-to-date, this option would bring more complexity to the bonus calculation.

---

<sup>3</sup> Figures based on 336 relevant local planning authorities as at end November 2015.

<sup>4</sup> By Local Plan we mean a development plan document that sets the strategic planning policies for the whole of an authority's administrative area, and which has been prepared, examined, and adopted under the provisions of the 2004 Act. Such documents are often referred to as a "Core Strategy", a "Local Plan" or a "Local Plan (Part 1)."

<sup>5</sup> For further details see: <https://www.gov.uk/guidance/local-plans#monitoring-local-plans>.

**Consultation question 5**

Is there merit in a mechanism for abatement which reflects the date of the adopted plan?

3.17. The Government wants to ensure that plans are in place that set out the strategic priorities for an area, including a clear assessment of housing needs, and that identify key sites which are critical to the delivery of the housing strategy over the plan period. The Government is not, therefore, proposing to link Bonus payments to the type of plans that are commonly prepared by County Councils in two tier areas. County Councils do, however, have an important role in delivering essential infrastructure. Arguably this could have an impact on the ability of District Councils to produce their Local Plan. We would, therefore, welcome views on whether in two tier areas where a Local Plan has not been published, there should be a corresponding percentage reduction in the bonus available to County Councils.

3.18. If the Government's preferred option outlined in paragraph 3.14 (but not those in 3.16 and 3.17) for withholding and reducing the Bonus had applied in 2016-17, there would have been a £34 million increase in resource available for other pressures.

3.19. As described in paragraph 3.12, the impacts on Bonus payments would only apply during the years for which a local authority had not published or submitted a Local Plan. For instance, if, in normal circumstances, a local authority would have been entitled to grant payments under the Bonus in 2017-18, but had not published its Local Plan until 2019-20, that authority would not receive any payments in the years 2017-18 and 2018-19. But it would receive legacy payments relating to allocations in previous years including 2017-18 and 2018-19, alongside any new allocation, in 2019-20.

#### B. Reducing payments for homes allowed on appeal

3.20. Currently, where a development is granted planning permission on appeal, overturning the original decision made by a local planning authority (or in place of a decision by the authority in the case of appeals against non-determination), councils receive the same reward as when development takes place that the local planning authority has permitted. This means that Bonus payments do not always reflect positive decisions to allow development, and nor do they reflect the additional costs and delays for applicants arising as a result of the appeal process. The Government is, therefore, proposing to reduce new in-year allocations payments to individual authorities where residential development is allowed on appeal.

3.21. Government's **preferred approach** is to use existing data collected by the Planning Inspectorate as the basis for these adjustments. The Inspectorate record the number of houses associated with each planning appeal decision (which may be indicative numbers in the case of applications for outline planning permission). This data would be used on an annual basis to calculate the change required to the overall New Homes Bonus grant for each local authority, to reflect the total number of homes allowed on appeal in a given year. This would allow adjustments to be calculated in a relatively straightforward and transparent manner.

3.22. Some time can elapse between a decision by a local planning authority to refuse an application, any subsequent appeal decision and when the resulting homes get built and

added to the council tax base. To allow for this, there would be a time lag between the appeal outcomes that are counted for the purposes of New Homes Bonus adjustments, and the point at which those changes are then applied to Bonus payments. This will reduce any possibility of a significant mismatch between the pattern of current planning decisions by an authority and any change in Bonus payments which is made.

3.23. The Government has considered whether, as an alternative option, individual planning appeal decisions involving housing could be tracked through to completion, so that adjustments to New Homes Bonus payments are made only when the properties concerned are built and occupied (with the change then reflected in the next applicable New Homes Bonus calculation). However this would add significantly to the data that needs to be collected and reported by local planning authorities, so it is not government's preferred approach.

**Consultation question 6**

Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

3.24. Government proposes that there would be a reduction in the New Homes Bonus payment per home allowed on appeal, rather than it being withheld in full. This is for two reasons:

- Not all refusals of permission – and subsequent appeals – result from authorities opposing the principle of development (some, for example, arise from unresolved disagreements over technical issues such as the adequacy of highways access).
- The New Homes Bonus is intended to provide a benefit to the community as a whole, and there is a limit to the extent to which local people should be penalised as a result of poor decisions made by their local planning authority.

3.25. The Government is therefore consulting on whether to reduce New Homes Bonus payments by 50%, or 100% where homes are allowed on appeal, although we are interested in views on other percentage reductions that could be applied. This adjustment would be applied to all six years for which the Bonus would otherwise have been paid in full.

**Consultation question 7**

Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?

3.26. At the time of an appeal decision the ultimate council tax banding of the homes being proposed is not known (as this will depend on their valuation once built). For this reason the calculation of what adjustment should be made, where homes are allowed on appeal, will need to be based on a proxy value. Government's preferred approach is to use the standardised flat rate reduction in payments – for example based on a national average New Homes Bonus figure for Band D properties<sup>6</sup>. The use of the average council tax, for the existing housing stock in each authority was considered as an alternative proxy value, to avoid the risk of over-penalising authorities with high percentages of stock in lower

---

<sup>6</sup> This is in line with the current approach of calculating the New Homes Bonus.

council tax banding (and, conversely, of applying a reduced penalty in areas where high value properties predominate). In order to maintain consistency with the rest of the New Homes Bonus allocations process this was rejected in favour of the simplicity and transparency inherent in the national Band D average.

**Consultation question 8**

Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 2) should the new model also be adopted for this purpose?

3.27. We estimate that the overall impact of the Government's preferred approach to abatement to reflect housing permissions given on appeal would have been a reduction in 2016-17 New Homes Bonus allocations of around £17m. To understand the process in detail a worked **example** for a "typical" authority, is provided in the Annex to this consultation paper.

### C. Removing deadweight

3.28. The Bonus is currently paid on all new housing regardless of whether or not it would have been built without an incentive. Removing this deadweight from the calculation of the Bonus would allow payments to be more focussed on local authorities demonstrating a stronger than average commitment to growth.

3.29. **One option** for removing deadweight from payments would be to set a single baseline for all areas and only make payments under new allocations relating to housing above that baseline. Details of the calculation are outlined in the Annex to this consultation. A possible level of the baseline is 0.25%. This is lower than the average housing growth over the years prior to the introduction of the Bonus in order to ensure that, whilst it acts as an incentive, not too many authorities fall outside the Bonus entirely. The approach proposed also has the advantage of setting an expectation for growth for all authorities and allowing some flexibility to respond to a changing funding envelope if necessary.

**Consultation question 9**

Do you agree that setting a national baseline offers the best incentive effect for the Bonus?

**Consultation question 10**

Do you agree that the right level for the baseline is 0.25%?

3.30. An **alternative option** would be to set a baseline based on the average growth rate of dwellings in each local authority or local area. However, potentially, this would have the impact of "rewarding" authorities who had only achieved low growth in the past and penalising those who had done well. In addition, it could result in large numbers of authorities not receiving a Bonus payment at all (using 2016-17 provisional figures, we estimate that around 65 authorities would fall outside the Bonus with a "moderate" baseline of 0.5%). This could have the perverse impact of reducing the significance of the Bonus for those authorities and, thus, eroding its incentive effect overall.

3.31. Government would also make **adjustments to the baseline in order to reflect significant and unexpected housing growth**. Under the current proposals for calculation of allocations, there is a risk that the overall cost of the Bonus could go over budget in a given year in the event of a sudden national surge in housing building leading to increased allocations. As explained above, the current proposed level for the deadweight threshold is set around a third of historic levels of housing growth. This leaves considerable scope to increase the threshold without impinging significantly on additional growth. Increasing the threshold would allow the cost of the Bonus to be brought back within budget. It would also be consistent with the Government's intention to ensure that the Bonus acts as a true incentive to housing growth. Changes to the baseline would only be implemented where there was concern that budgets would be breached and would be included in the annual consultation on provisional allocations.

**Consultation question 11**

Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?

### Impacts on equalities groups

3.32. In exercising its functions, the Government is required to comply with the public sector equality duty. This means that the government must have due regard, in making any decision, to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

3.33. Government would welcome information on any impacts that consultees can foresee these proposals having on specific protected equalities groups under the Equalities Act 2010. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

### Worked examples

3.34. Chart 5 below exemplifies the overall impact of the changes proposed using the provisional allocations published alongside this consultation for 2016-17 and assuming that these would be unchanged in future years without the proposals in this consultation. A detailed example showing the impact on an imaginary local authority is set out in the Annex to this consultation paper.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233				
2013/14			236	236	236	236	236			
2014/15				249	249	249	249			
2015/16					251	251	251	251		
2016/17						293	293	293		
2017/18							168	168	168	168
2018/19								168	168	168
2019/20									168	168
2020/21										168
<b>Annual total (£m)</b>	<b>199</b>	<b>432</b>	<b>668</b>	<b>917</b>	<b>1,168</b>	<b>1,461</b>	<b>1,197</b>	<b>880</b>	<b>798</b>	<b>673</b>

**Chart 5 – preferred option, combined impact**

## National parks, development corporations and county councils

3.35. National Park Authorities (and the Broads Authority) are responsible for decisions on planning applications in their areas, and for producing a Local Plan; whereas New Homes Bonus payments are made to the relevant district and county councils. This reflects the fact that local authorities are responsible for many of the services that would be affected by increased population in their areas. The original scheme design for the New Homes Bonus<sup>i</sup> did, however, make clear that billing authorities were expected to discuss with National Park Authorities and the Broads Authority the use of Bonus receipts in their areas. This could, for example, conclude in an agreement to split New Homes Bonus funding between them at a locally determined rate, or to reach an agreement on funding a specific community project.

3.36. Government has considered whether, in such areas, the Bonus paid to local authorities should be removed or reduced in the circumstances set out in this consultation: that is, where a local plan is not yet in place, where homes are allowed on appeal or where the homes being delivered are not additional to planned targets. As a more tightly-focused Bonus would have an increased focus on rewarding proactive planning, we think that the same approach should apply in these areas as elsewhere: in other words, the appropriate reductions would apply.

3.37. The same considerations apply where development corporations are established – whether Urban Development Corporations, or Mayoral Development Corporations in London. These bodies are again the local planning authority for Local Plan preparation and decisions on planning applications and, in some cases, plan making, but not the recipients of the New Homes Bonus.

### **Consultation question 12**

Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

3.38. Government has also considered the position of county councils in two tier areas, who receive 20% of Bonus payments, but are not the planning authority for decisions

involving residential development. Again, Government is not proposing to exempt county councils from the calculation of any adjustments, given the need to more tightly focus future Bonus payments.

**Consultation question 13**

Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

## Protecting individual local authorities

3.39. In proposing the reforms set out in this consultation, Government has sought to ensure that impacts strike the right balance between rewarding local authorities who are truly open to housing growth in their areas and the provision of sufficient resources, when taken with those provided under the wider local government settlement, to meet local needs. It is possible, however, that some local authorities might be particularly adversely affected by the changes which Government is proposing. Whilst this might reflect unwillingness to support and encourage housing growth in their areas, it might also suggest factors which are outside that local authority's control. Government would, therefore, welcome views on whether there is merit in some form of mechanism to protect local authorities who are particularly adversely affected by the reforms proposed in this consultation paper.

**Consultation question 14**

What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

## Section 4: Summary of Questions

**Question 1** What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?

**Question 2** Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

**Question 3** Should the Government continue to use this approach? If not, what alternatives would work better?

**Question 4** Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?

**Question 5** Is there merit in a mechanism for abatement which reflects the date of the adopted plan?

**Question 6** Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

**Question 7** Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?

**Question 8** Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 3) should the new model also be adopted for this purpose?

**Question 9** Do you agree that setting a national baseline offers the best incentive effect for the Bonus?

**Question 10** Do you agree that the right level for the baseline is 0.25%?

**Question 11** Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?

**Question 12** Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

**Question 13** Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

**Question 14** What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

# Section 5: Next Steps

## Next steps

5.1 You should respond by 10 March 2016. If possible, please respond to the questions in this consultation via the online form: <https://www.surveymonkey.co.uk/r/X8RHS5>. Responses may also be sent to: [newhomesbonus@communities.gsi.gov.uk](mailto:newhomesbonus@communities.gsi.gov.uk) (With attachments in Microsoft Word only).

5.2 Comments received on the proposals set out in the consultation will be collated and a formal response document published within three months of the closing date of the consultation.

## Annex – Worked Example

Suppose a unitary local authority has 10,000 dwellings in their council taxbase in October 2015 and these are spread evenly across the council tax bands. If there was a net increase of 80 dwellings added during the following year, evenly spread across the council tax bands, then this would equate to an increase of 97 band D equivalent dwellings.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Adjustment factor for Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
2015 council taxbase	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	<b>10,000</b>
Net additions	10	10	10	10	10	10	10	10	<b>80</b>
Additions (Band D equivalents)	7	8	9	10	12	14	17	20	<b>97</b>

Assuming 10 of these new dwellings were eligible for the affordable housing premium and applying the latest average Band D council tax rate (2015/16 - £1,483.58) then that local authority would be eligible for the following payments under an unreformed New Homes Bonus scheme in 2017/18:

Band D equivalents	97
Average band D	£1,483.58
<b>Sub-total:</b>	<b>£143,413</b>
Affordable housing premium (per unit)	£350
Affordable housing supply	10
<b>Sub-total:</b>	<b>£3,500</b>
<b>Total Bonus:</b>	<b>£146,913</b>

The impact of policy proposals – withholding the Bonus where there is no Local Plan

If the same hypothetical authority was allocated a New Homes Bonus payment of £120,000 in 2016/17 and each year from 2017/18 would generate the same payment, as outlined above (£146,913) the impact of the reforms will depend on the

status of their local plan in each year. Assuming that the local authority does not have a plan in place in 2017/18 but publishes one in 2018/19 and submits it in 2019/20 their new homes bonus payments are illustrated below:

		Payment received in:					
		Bonus amount:	2016/17	2017/18	2018/19	2019/20	2020/21
Payment relating to:	2016/17	£120,000	£120,000	£120,000	£120,000	£120,000	£120,000
	2017/18	£146,913	n/a	£0	£0	£146,913	£146,913
	2018/19	£146,913	n/a	n/a	£0	£146,913	£146,913
	2019/20	£146,913	n/a	n/a	n/a	£146,913	£146,913
	2020/21	£146,913	n/a	n/a	n/a	n/a	£146,913
Local plan status			No Local Plan	No Local Plan	Plan published	Plan submitted	

Having no plan in 2017/18 means that aside from payments from allocations on or before 2016/17 the local authority receives no additional New Homes Bonus allocation in that year, losing £146,913. In the following year on publication of their Local Plan they still do not receive a bonus allocation for 2017/18 and 2018/19. Once the local plan is submitted in 2019/20 all payments resume in full.

In two tier areas, we are proposing that the impacts would only affect the district authority and not the County Council (although, in paragraph 3.15, the question is explored further). As such, under the same circumstances the impacts would be 80% of the full payment outlined for the hypothetical unitary authority used in this example.

#### The impact of policy proposals - reducing payments for homes allowed on appeal

Suppose now the local authority had seen several recent planning decisions appealed and as a result the Planning Inspectorate had given permission for 10 dwellings on appeal. This would trigger a 50% reduction in the New Homes Bonus allocation awarded for 10 dwellings.

Band D equivalents	97
Average band D	£1,483.58
<b>Affordable Homes premium</b>	£3,500
<b>Sub-total:</b>	£146,913

50% of average Band D	£741.79
Homes permitted on appeal	10
<b>Sub-total – reduction in bonus</b>	£7,418
<b>Total Bonus:</b>	<b>£139,495</b>

If this were a two tier authority the reduction would be incurred by both tiers in the same proportions as the bonus is awarded because the reduction in award is determined as above before being distributed to local authorities according to the tier split. As such, under the same circumstances a district authority would receive £111,596 and the County Council £22,319, as opposed to £117,530 and £23,506 respectively.

In any local authority area where the level of appeals were so high in a year as to exceed the effective growth (measured in Band D equivalents) of their council taxbase, their only award would be based on the affordable housing premium with all other elements of the payment being reduced to zero.

The impact of policy proposals – removing deadweight

The baseline growth in the council taxbase proposed in this worked example is 0.25% of the growth in Band D equivalents and this is applied to all local authorities. This level of baseline removes an element of the allocation on the basis of underlying growth, whilst trying to limit the extent to which local authorities do not receive any award under the New Homes Bonus. This approach alone would affect all authorities to some extent but in 2016/17 provisional allocations only 8 would have failed to reach the threshold growth in their council taxbase to receive no payment whatsoever and two of those authorities would not have been rewarded anyway because they saw a decrease in total Band D equivalents.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Adjustment factor for Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
2015 council taxbase	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	<b>10,000</b>
Band D equivalents (start year)	833	972	1,111	1,250	1,528	1,806	2,083	2,500	<b>12,083</b>
Net additions	10	10	10	10	10	10	10	10	<b>80</b>

Additions (Band D equivalents)	7	8	9	10	12	14	17	20	<b>97</b>
Baseline growth (deadweight 0.25%)	2	2	3	3	4	5	5	6	<b>30</b>
Growth above baseline	5	5	6	7	8	10	11	14	<b>66*</b>

\*Totals may not sum due to rounding (after adjusting to Band D equivalent numbers)

Taking the example of the hypothetical authority described above once more. The growth in band D equivalents of 97 represents a 0.8% increase in their stock of Band D equivalents. Therefore the baseline growth of 0.25% would represent 30 of these and as such the New Homes Bonus allocation would be calculated by applying the national average Band D council tax (£1483.58) to the remaining 66, to give an allocation of £102,096. This represents a reduction of £44,816 when compared to the unreformed system.

#### The combined impact

Band D equivalents (growth)	97
Average band D	£1,483.58
<b>Affordable Homes premium</b>	£3,500
<b>Sub-total:</b>	£146,913
Reduction in bonus - appeals	£7,418
Reduction in bonus - deadweight	£44,816
<b>Total reduction in bonus</b>	<b>£52,234</b>
<b>Final Bonus allocation:</b>	<b>£94,678</b>

This page is intentionally left blank

## Section 4: Summary of Questions

**Question 1** What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?

The Council's current medium term revenue forecast is predicated on a drip feed of NHB to support the revenue and capital budgets with only a small amount of 'spare' NHB based on a 6 year scheme. This one change will mean the Council is required to find an additional £600k in savings over the next 3 years. We are therefore strongly opposed to the move to a 4 years scheme.

**Question 2** Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

We do not support a reduction to 3 or 2 years. Following on from our answer to question 1, a reduction to a 2 year scheme would see the council facing cuts to its proposed 2016/17 net revenue budget of around 28%.

**Question 3** Should the Government continue to use this approach? If not, what alternatives would work better?

We do support this approach and consider that the scheme has delivered its objectives for housing delivery particularly for spare rural District Councils. It is apparent that the motivation for change is explicitly to fund the gap in Adult Social Care which, whilst incredibly important, is not currently the function of a District Council. The pre-empting of Council tax goes some way to address the gap, there are other alternatives to fund Adult Social care without jeopardising housing delivery.

The administration of the New homes bonus scheme is already relatively complicated, we do not wish to see a scheme which makes this any more complicated.

**Question 4** Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?

No because this does not take into account the many reasons a plan could be delayed, the bonus and scheme needs to be flexible and encourage good plan making and housing delivery in keeping with the plan strategy.

**Question 5** Is there merit in a mechanism for abatement which reflects the date of the adopted plan?

A staggered abatement is better than a guillotine but please refer to previous answers.

**Question 6** Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

No for the simple fact there are many reasons homes may not be allowed.

**Question 7** Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?

Please see previous answers.

This is not reflecting the democratic planning process and introduces a further complexity in the returns.

**Question 8** Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 3) should the new model also be adopted for this purpose?

If average band Ds are used for everything else it is sensible they are used throughout the process although we do not agree to the reductions

**Question 9** Do you agree that setting a national baseline offers the best incentive effect for the Bonus?

No

**Question 10** Do you agree that the right level for the baseline is 0.25%?

If this is linked to Council tax base the answer is No because there would be no bonus on the first 52 properties.

**Question 11** Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?

If there is a funding envelope use it, an alternative is to cap.

**Question 12** Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

Yes

**Question 13** Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

Yes

**Question 14** What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

The NHB has been instrumental in helping to achieve a significant annual increase in house building in Ryedale District and help politicians and communities to buy into the Government's vision to increase national house building towards a 250,000 a year target.

These proposals - in particular the reduction in timeframe for NHB from 6 to 4 or less years - will not only cause significant financial hardship at the Council. This Council, in common with many other authorities, is using the NHB to deliver front-line services and support its revenue account). Most importantly, withdrawal of this key incentive at a crucial point, when the battle to build more houses is starting to be won in Ryedale District and elsewhere, will fundamentally threaten the push towards increased home ownership and build rates. In 2016/17 the annual build rate in Ryedale will be around 40% above the rate set in the Local Plan, at least partly because of NHB.

In local authorities such as Ryedale where there has been such a positive response to NHB, the Government should maintain NHB over the 6 year period and at previously anticipated rates.'

This page is intentionally left blank

**Outside Bodies - Vacancies to fill following the resignation of former councillor Phil Evans**

- Ryedale Community Transport – Ryecat Project – substitute
- North Yorkshire, City of York and East Riding Strategic Housing Board - substitute
- Coast, Wolds, Wetlands and Waterways LEADER Local Action Group – representative
- Vale of Pickering Internal Drainage Board – substitute
- Community & Police Consultation Groups - Malton Rural East - representative

This page is intentionally left blank